

**BEFORE THE HEARINGS COMMISSIONERS  
APPOINTED BY THE QUEENSTOWN LAKES DISTRICT COUNCIL**

**UNDER** the Resource Management Act 1991

**IN THE MATTER** of submissions on a Variation to a  
Proposed District Plan under schedule 1  
of the Act

**BY** **WILLOWRIDGE DEVELOPMENTS  
LIMITED**

**AND** **UNIVERSAL DEVELOPMENTS  
LIMITED**

**AND** **METLIFECARE LIMITED**

Submitters

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**STATEMENT OF EVIDENCE OF ALLAN STUART DIPPIE**

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## Statement of evidence of Allan Stuart Dippie

### Introduction

[1] My name is Allan Stuart Dippie.

[2] I am a director of Willowridge Developments Limited (**Willowridge**), a land development company, which I founded in 1993. I am also a Director of Orchard Road Holdings Limited and Three Parks Properties Limited, both of which are represented in the Willowridge Submission.

### Scope of evidence

[3] I give this evidence in respect of Willowridge's submissions on the proposed Inclusionary Housing Variation (**variation**) by the Queenstown Lakes District Council (**QLDC**).

[4] My evidence will describe the following:

- The development history of Willowridge in the Queenstown Lakes District (**District**);
- Future development intentions;
- Affordable housing provision within the District;
- The effects of the Inclusionary Housing on Willowridge and from a developer perspective.
- The effects of Inclusionary Housing on the wider district and the community.

### Development background

[5] Willowridge has been undertaking residential and commercial development in Otago since 1993. The main focus has been in Wanaka with the delivery of Meadowstone, Alpha Series and West Meadows residential subdivisions as well as industrial and commercial subdivision and development in Three Parks and Ballantyne Ridge; Timsfield in Hawea; Luggate Park in Luggate. Willowridge has also undertaken projects in Central Otago (Clyde and Cromwell) and Dunedin.

[6] Willowridge has always sought to provide a range of types of residential sections to meet the needs and demands of the local markets. In addition to creating high-end sections, Willowridge has delivered many sections and dwellings that would fit the QLDC definition of affordable housing, being no more than 35% of household income spent on mortgage repayments (based on 120% of QLDC median household income). The most recently titled stage of Timsfield in 2019 (Stage 8, 48 lots) and Luggate Park in 2020 (39 lots) were both affordable housing developments under the QLDC definition.

### **Future development**

[7] Willowridge retains a considerable land holding in the QLDC District of land zoned for residential or mixed-use development:

- Hawea - Koreke Rise – 8.495ha
- Hawea - Timsfield – 19.6ha
- Luggate - Luggate Park– 24.5ha
- Wanaka -Three Parks (North) – 32ha
- Wanaka -Three Parks – 74ha
- Wanaka - Alpine Meadows – 42.2ha
- Wanaka - Alpha Ridge – 2.7ha
- Wanaka - A further 66ha of future development land bounded by Orchard and Riverbank roads.
- (Total 269.49 ha)
- Housing potential 5000 plus residential equivalents (homes/units/apartments/workers accommodation and visitor accommodation).

[8] Both Three Parks and North Three Parks and Alpine Meadows are subject to Developers Agreements relating to the provision of affordable housing.

- [9] The existing land resources owned by Willowridge has the potential to provide over 4,000 housing units to the district over the next 15 to 20 years and an even greater number of units (up to 5,000) beyond that timeframe
- [10] However, these numbers are very unlikely to be realised and the reasons for that are largely around the difficult development environment in the District. There are large barriers around infrastructure, and it has become a very frustrating and drawn-out process to obtain resource consents then engineering approvals to proceed with development. What used to take 12 to 18 months from a project starting to titles being issued is now taking at least 30 to 36 months, many projects even longer.
- [11] The imposition of Inclusionary Zoning however is yet another disincentive and barrier and would substantially further reduce residential housing output (no matter what the time frame) and this evidence will outline reasons for that.
- [12] It has also become increasingly difficult to find enough resources to physically get projects completed as efficiently and timely as we used to be able to. This is particularly pertinent to staffing resources. Since covid we have not had enough staff on the ground and, whilst this situation is slightly improving now, it is still a problem across all our businesses in Otago and Southland. Our company is often in the position of having to house or find accommodation for staff so knows from first hand experience that housing is an issue. This experience makes us acutely aware that this plan change will add to unaffordability rather than solve it given the overall determinantal outcomes of Inclusionary Zoning on such an important part of the community.

### **Barriers to development**

- [13] Since 1993 (over 30 years ago) Willowridge has been a reasonably prolific and efficient developer of residential housing the in the Central Otago townships of Wanaka, Hawea, Luggate, Cromwell and Clyde. However, it is interesting to note that the number of residential sections Willowridge produces per year has gone down in recent years as the cost of development, barriers to development and development

timeframes have increased due to increasing compliance requirements, new guidelines after new guidelines, difficulties and delays achieving engineering consents and infrastructure barriers. The more complex, difficult and expensive it has become to undertake a development has had a direct result in Willowridge delivering less residential sections. This has had a really negative impact on the contribution to the regions housing supply.

- [14] Examples of delayed, stalled or abandoned residential projects include Koreke Rise (Infrastructure), Timsfield (Infrastructure) and Alpine Meadows (Engineering approvals).
- [15] In light of increasing time frames, complexities and barriers Willowridge is now considering moving away from being a **residential land-developer** to largely a **residential land-holder** or land investor as that quickly becomes the preferred business model in an environment where it is difficult and expensive to do things or where rules exist to discourage development. Inclusionary zoning is a very significant barrier that will discourage land developers from developing their land. Holding land rather than developing land has historically been a good model for many investors. In many ways this “lazy” investment provides for better outcomes for landowners but it provides poor community outcomes especially in a district that needs to grow its residential rating base.
- [16] The very notification of the variation has further reduced our appetite to plan for future residential projects as we are cautious about commencing projects that we would not wish to do in the future because of the effects of the levy. Even though the proposed variation is not approved or operative, its very notification is already having a negative impact on housing supply in the district.
- [17] Developers such as Willowridge also operate in different parts of the country and have a choice about what priority is placed on what region. For example, Willowridge has residential projects, as close as Dunedin and as far away as Northland, that it is currently working on. The last thing QLDC needs in terms of housing supply is for development companies to concentrate on other regions and make them a priority at

the expense of the District and this is exactly what will happen with the imposition of Inclusionary Zoning.

- [18] Under Inclusionary Zoning, the housing produced would come at considerably increased cost to the majority of buyers whom are effectively having to subsidise the Inclusionary Housing levy. Despite the aspirations and ideologies of the proposed variation, there is no 'free lunch' associated with the variation. The variation promotes the ideology that the cost of the Inclusionary Zoning will be absorbed by a reduction in the value of undeveloped land. This ideology is fanciful at best and ultimately completely flawed. For example, in terms of the vast majority of Willowridge projects the only way to recover the cost of Inclusionary Zoning will be to pass the cost on to the end user or, alternatively, shelve unviable projects.
- [19] This flawed approach as to 'whom pays' is a major weakness of the variation and of the Valuation that formed part of the section 32 report in support of the variation.
- [20] It is Willowridge's prediction that if the Inclusionary Housing variation is implemented into the District Plan it would only be a matter of time before QLDC would need to repeal it on the grounds of it having the opposite effect than intended, namely *increased* unaffordability, *less* housing supply in general and significantly *greater problems* with the rental and worker accommodation housing sectors.
- [21] Furthermore, there would be very few beneficiaries with the majority of house buyers actually worse off or priced out of the market by the inflation in prices created by the Variation, inflated by the increase in prices to absorb the levy and the increase in prices due to less sections being created because of the levy.
- [22] The extra 'tax' and imposition placed on the development of residential land and housing would simply mean that many housing projects are no longer viable if neither the developer nor the market is able to absorb the additional cost.

[23] A practical example of the actual effects of what inclusionary housing will do can be found at Hawea and it is a really interesting case study.

### **Case Study - affordable housing in Hawea**

[24] Hawea township has, for many years, offered a viable first home ownership model for young families and first home owners that wished to live and work in the region and especially bring up a family.

[25] Hawea is only 15 minutes commute from services and employment in Wanaka and was a perfect place to get on the property ladder.

[26] In 2005 Willowridge launched its own affordable housing scheme called Timsfield and from 2005 to 2020 some 350 sections which were considered affordable were developed at Timsfield. These sections were targeted at first home buyers.

[27] Other land developers also provided many sections in large adjacent developments (Sentinal Park) and in other developments in the township.

[28] By 2020 some 350 sections had been developed in Timsfield by Willowridge with a limit of one buyer per section and with preference to first home buyers this project was working very well for the District. In addition, Willowridge built many houses at Timsfield

[29] A major impediment to future development in Hawea would be the introduction of Inclusionary Housing zoning, which would prevent Willowridge, as well as other developers, from being able to continue to create affordable housing sections as the levy would add cost to the sections such that they would be priced out of the first home buyer market.

[30] This case study is a really practical example of what actually happens in the housing market, where an extra cost is imposed on providing that housing. The outcome would be first home owners locked out the market due to a much higher entry price.

[31] The cost of inclusionary zoning will be priced into the completed cost of land and housing projects. As the case study illustrates, the cost of inclusionary housing is passed on to the market. The consequence of this cost should not be underestimated.

[32] From a development point of view, the imposition of providing 5% of the market value of a project (or 5% of completed sections) is much more than a 5% cost increase and would most likely result in a 20 – 25% increase in land prices. This is because with land development the 5% of sections has a much greater effect on the net profit and risk of a project because a return on the project needs to be spread over less sections whilst the whole project is delivered at a greater cost.

### **Rental housing and worker accommodation supply**

[33] Rental and staff housing will be very difficult to complete under the proposed rules and many such projects will now become non-viable projects.

[34] Another acute problem with Inclusionary Housing is the fine line between the viability and non-viability of housing and construction projects, particularly rental housing and worker accommodation schemes. In other words, it is very hard to make these types of projects show an economic return. There is no point in constructing housing that people cannot afford. A practical example of a project Willowridge hopes to undertake is a large rental and staff housing project at Three Parks. This project is needed to help home the increasing workforce at Three Parks, noting that a large proportion of this workforce are not eligible for housing through the QLCHT as they are non-resident or are new to the District. Willowridge has designed and costed the project but at present it can't make it financially viable. A design review should make the project just viable enough to proceed with. However, if the Inclusionary Housing levy was to apply to this project it simply could not proceed as an affordable rental/housing development.

[35] Mothballing of development is the expected and likely outcome of the Inclusionary Housing zoning levy, so the Variation is counter-productive.

Less housing projects will be delivered and those that do proceed will be much more unaffordable.

### **What is the alternative?**

[36] The key to helping solve housing unaffordability is to encourage supply and not put up barriers to that supply. QLDC should become a Council that really encourages the delivery of housing, works closely with developers to make projects happen and concentrates on infrastructure upgrades to enable this to happen.

[37] Partnership is needed. With Inclusionary Housing zoning the QLCHT would effectively become the sole provider of affordable housing with a very narrow product and a very narrow sector of eligible recipients. Inclusionary zoning will not address the rental or seasonal worker housing problem, which in my view is the real problem in the District.

[38] The QLCHT is part of the solution but only a relatively small part of what the solution needs to be. It is unfair to place the burden of providing the District's total affordable housing solution on the QLCHT. The perceived solution is too narrow in its focus and the wider solution is market led policies promoting housing supply, not the other way around. Inclusionary Housing zoning is definitely not the answer. While it will provide land to the QLCHT it would come at an overall cost burden to the District and in fact exacerbate the problem by reducing housing supply and increasing market prices.

[39] Central Government needs to play a role. It is unfair for the QLDC to have to try and find solutions to a much wider national problem.

### **Conclusion**

[40] The fundamental aims of the proposed variation to address housing unaffordability are commendable but the methodology is totally flawed on all levels. If the Variation is successful it will lead to a much more acute housing shortage and much higher pricing of any housing that is delivered. The Variation is based on flawed ideologies and is economically flawed and would produce ineffective outcomes and distortions in the housing market.

- [41] It would also decimate rental and other worked accommodation housing schemes.
- [42] It is not often you see a variation that would produce such perverse outcomes than those intended. For these reasons I believe if Inclusionary Housing zoning was adopted in the District it would need to be repealed pretty quickly because it would have a direct adverse effect on availability and affordability of housing i.e. the exact opposite of what is intended.
- [43] It is much better to encourage housing projects to actually happen than to discourage them. Land developers becoming land investors or land holders would be an outcome of the variation and that is not the best business model for a growing population.
- [44] Alternative solutions need to be found and those solutions are many. All sectors, from Central Government, District Councils, Developers, Employers, Housing Trusts and the community need to work in a collaborative way to find solutions.

**Allan Dippie**

21 December 2023