Inclusionary Zoning Hearing

Morena Commissioners.

My name is Jared Baronian CEO of Sanderson Group since 2021 and prior to this lead development of our Kawarau Park / Southern Cross hospital medical precinct here in Queenstown.

I take it my evidence has been read and noted.

I just want to touch on a few key points today and allow for any questions.

As background we've been on the ground in Queenstown for the last eight years since 2016 developing 35 hectares of land on the southern side of Ladies Mile.

We are well intouch with the local situation, we are a large employer over 150 people including local contractors.
Queenstown has always been a tough place to buy and expensive.

If you've been out across the Shotover rivers, heading towards Arrowtown you will have driven by the Queenstown Country Club, Kawarau Park with the Central Lakes Southern Cross hospital, and a large new residential subdivision Kawarau Heights. Development of this land was consented under the SHA going back to 2016 and came after Lake Hayes Estate and Shotover Country in 2012.

Conditions have vastly changed since this time over a decade ago – market demand & supply, development costs & complexity, and housing affordability.

While our developments on the Southern side of Ladies Mile are now largely complete we have 6.3 hectares of land on the northern side at 489 Ladies Mile across the road from Howards drive which includes land nominated for the future Ladies Mile town centre.

We don't see Queenstown slowing down as one of New Zealand's fastest growing areas. It's hugely popular and a highly attractive location.

People just want to live here- those with holiday homes, the remote worker, empty nesters with kids now at uni who can now relocate, those looking retiree, the locals in support sectors who find this their place of home.

We understand and are very sympathetic to the housing affordability challenge in this area. Continued delivery of housing supply is critical.

We don't question this part … but what we do feel strongly about is that the proposed Variation as it stands is not the best, or most appropriate way, to provide affordable housing.

The reality is the population growth …and in essence the need for this housing comes from a diverse range of sectors including tourism, retail, and hospitality.

Beyond this there is a much large residential rate base – over 20,400 and then if we want to look further over a million international visitors each year in Queenstown.

In terms of the development process greenfield land is not in significant supply here. Queenstown is very geographically constrained.

Until the most recent QLDC lead Ladies Mile plan change there has been no council lead rezoning in decades.
We got to reflect on this situation and infrastructure in the context of the current affordability challenge.

Jackpoints – developer lead plan change. Hanley farm. Five mile. Quail Rise. Shotover Estate. Lake Hayes Estate. All developer lead. Huge risk.

Were not in abundance of council lead rezoned greenfield land here.

Some developers get in early, some get in late, some get in-between. There is huge risk either way with land rezoning.

Take for example the eight-year holding cost some developers have faced in Ladies Mile since the 2016 SHA era.

I'm sure we all have some form of non property related investment.

Savings in term deposit paying at least 6% per annum right now. Maybe a diversified portfolio returning 8% plus.
Or something higher risk at over 10%.

8% is around the long-term property average for New Zealand. That's property values doubling every 12 years.
On a compounding basis the 8% rate has a doubling effect every 9 years.

It's no different in property. There is a capital holding cost and it's real. Those that had to wait have worn this. Those got in late have paid it. The most recent unzoned greenfield land purchases in Ladies miles was $4.5m per hectare. There is no miracle uplift with land rezoning.

Rezoned land is only the start… then come resources consent cost and delays, followed by detailed designed, engineering approvals before you even start building roads, footpaths, stormwater, sewer and fresh water systems, parks/ reserves and trails all that gets vested to council.

Development Contributions are ontop of this.

Less than 70% of the developable land is sellable and its even less with higher levels of housing intensification. This proposal results in further 5% land loss. From a project financing perspective it's a valuation impact, an increased capital requirement with a capital cost that flows straight through the feasibility and projects cost base.

It's difficult to develop. It's a capital intensive multi-year process.

Resource consent preparation, lodgement, and processing is now at least 12 months alone.

Even when you get to the end you wait. Seriously you have everything built to the approved engineering standard, best case scenario is 3 months from completion to obtain 224 final sign offs, followed by another 2 months for title issues.

Imagine reaching the end of the project, maximum capital outlay with full holding capital cost on tens of millions for further a 5-6 month wait.

We haven't even spoken about building homes yet.

It's serious. Rezoning, consenting, development complexity and cost has never been more onerous and what's been proposed here is a serious hurdle.

Isn't it counter intuitive? Penalise the solution provider and who is really going to pay?

It's not the right solution, it's not going to help the majority people who need to get a foot on the property ladder. They're not eligible and even if they were it doesn't provide capital gain exposure.

Isn't there better tools and alternatives?

For practical purpose one example would be an international visitors landing fee of $25 per person, equal to buying 5 cups of coffee while your on holiday, 1 million annual international tourists would generate $25 million each year. We have all travelled and paid these types of visitors fees.

$25 million would be the equivalent to purchasing of 1.7 hectares of fully serviced ready to build land annually at $15 million per hectare or $1500 sqm. At a net density of 75 homes per hectare this is 128 home per year.

Compare this to the current proposal…

It's instant, it's doesn't face development delays, it consistent year to year and sustainable.

It a much better enabler for an alternatives range of development options including partnering, infrastructure acceleration, build to rent outcomes and more.

In closing we understand this is a real issue however we are of the firm view there are much better tools which provide faster, quicker, cheap ways to address the situation to alleviate the housing affordability situation in Queenstown

Unfortunately this Panel doesn't have any other choice but to push this back to the drawing board.
It's a tough decision.

Thank you for your time to hear this matter.