

**Before Queenstown Lakes District Council**

**In the Matter** of the Resource Management Act 1991 (**Act**)

**And**

**In the Matter** of an application for the Inclusionary Housing Variation by Queenstown Lakes District Council to amend the Proposed District Plan

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**Evidence of Hamish Anderson of behalf of Ladies Mile Property Syndicate Limited Partnership**

**(Primary Submission 149)**

**Dated 21 December 2023**

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Jeremy Brabant  
Barrister  
Level 4, Vulcan Building Chambers  
PO Box 1502, Shortland St  
Auckland City  
021 494 506  
Email: [jeremy@brabant.co.nz](mailto:jeremy@brabant.co.nz)

## **Introduction**

1. My full name is Hamish Anderson.
2. I am the Principal of The Development Room (TDR), a property development consultancy. Since I established TDR in 2019, I have provided development advisory and development management services to landowners, developers and councils. I have been engaged by Ladies Mile Property Syndicate (LMPS) to provide evidence on Queenstown Lakes District Council's (QLDC) Inclusionary Housing Variation (IHV) from a developer's perspective.
3. I have the following qualifications and experience.

## **Qualifications and Experience**

4. I have been professionally engaged in civil engineering and property development for 24 years.
5. I hold a Bachelor of Engineering with honors BE(Hons) from the University of Canterbury, graduating in 1999.
6. I am a Chartered Professional Engineer and a Chartered Member of Engineering New Zealand. My practice area is described as "management of civil infrastructure, land development, apartment and commercial property projects including design management and construction observation". I was first admitted to membership in 2003.
7. Since forming TDR, I have provided strategic development advice and development management services to landowners, developers and Councils. While my expertise covers a number of development sectors, I have extensive experience in the development of large master planned land development projects including comprehensive medium density housing and apartment developments.
8. Prior to starting TDR, I worked for Todd Property Group Limited (Todd) from December 2005 to May 2019. At Todd I held various roles, most recently as

General Manager Residential and before that as Senior Development Manager and Development Manager. In my time at Todd, I was involved in the development of a number of large-scale land development and apartment projects including Stonefields, Ormiston Town Centre and Long Bay.

9. Prior to working at Todd, I worked as a civil engineer for engineering consultancies in both London and New Zealand from 1999 to 2005.

### **Expert Witness**

10. I have presented to Commissioners in resource consent and plan change applications both as an independent expert and also as an advocate (as the developer). I have appeared in the Environment Court as a developer advocate and have attended many Environment Court hearings as the client representative of the development team. I also have presented expert evidence in a commercial High Court proceeding.

### **Code of Conduct**

11. I confirm that I have read the Code of Conduct for expert witnesses contained in the Environment Court Practice Note 2023. I have complied with the Code in the preparation of this evidence and will abide by it when presenting evidence at the hearing. Unless I state otherwise, this assessment is within my area of expertise, and I have not omitted to consider material facts known to me that might alter or detract from the opinions I express.

### **Introduction**

12. I do not support QLDC's proposed IHV.
13. I consider the implementation of a Inclusionary Housing financial contribution on development will have negative implications for the commercial viability of development projects. In my opinion this will ultimately inhibit development, slow down the supply of housing, and potentially lead to an increase in housing prices in the region.
14. While I understand the intentions behind the IHV, it is my opinion that there

are more appropriate methods of achieving the affordable housing outcomes the variation seeks to achieve.

### **Adverse Implications of an Enforced Inclusionary Housing Financial Contribution**

15. The imposition of a financial contribution in the form of either completed lots or an equivalent financial payment will either:
  - a. reduce the revenue realised from a development project; or
  - b. increase the development costs of the project.

From an overall project feasibility perspective either of these outcomes will squeeze development margins.

16. It is typical for property developments (land and building) in New Zealand to use a mix of equity and debt to fund development. The use of debt funding is a function of the large amount of capital required to undertake development and the generally higher cost of equity.
17. In my experience tighter development margins and higher development costs negatively impact project viability and make debt funding harder to obtain. Any debt funding that is obtained will generally come with more stringent requirements such as higher levels of presales or be capped at levels which may require developers to obtain additional subordinated debt. This adds further to project cost and risk.
18. In my experience, apartment developments, particularly non-premium apartment developments, have tight development margins when assessed at the feasibility or funding application phase of a project. In my opinion a 2% of revenue cost, as anticipated by the IHV, could be the difference between a project proceeding or not proceeding.
19. In order for the project financials to “stack up” this may require a developer to increase the sale prices of the balance of lots or apartment units. This requirement adds development risk by potentially over-pricing the market.

This higher price outcome is contrary to the objective of the IHV of making housing more affordable.

20. David Mead's s42A report proposes<sup>1</sup> that over time development financials will equalise by reducing the value of the underlying land. While I accept the concept in principle, it is my opinion that this will occur over the long term, while in the short to medium term there will be an unintended consequence in the form of stalled development. Some examples of this might be:

- a. Land developers having bought sites, prior to the IH policy coming into effect, on the basis of current land values and the necessary target development margins required to secure debt funding, now having development feasibilities that are not viable due to the imposition of IH financial contributions. This scenario may lead to developers land-banking to wait for house prices to increase to a point where their development is viable again; or
- b. Building owners looking to redevelop or repurpose their investment into apartments. The added cost of IH financial contributions will place additional pressure on the project feasibility, and as stated above, this may lead to the re-development not proceeding. This scenario may lead to building owners maintaining existing build/land uses which in turn will result in reduced housing supply to the market which in turn will put upward pressure on housing prices. Essentially, there is a risk that the IHV could disincentivise the very outcomes it seeks to achieve.

21. The economic evidence of Mr Colegrave<sup>2</sup> supports my argument that an IH financial contribution will have serious unintended consequences such as increased development risk, increased cost, reduced project viability and reduction of housing supply.

22. I conclude that the imposition of an IH financial contribution will have negative financial consequences for developments that may lead to

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<sup>1</sup> S42A Report of David Mead – para 4.22

<sup>2</sup> Evidence of Mr Colegrave, paragraph 51(a)

developments not proceeding or being deferred. If development in the region stalls this will very likely compound the region's housing problems.

### **Alternative Options for Achieving Affordable Objectives**

23. I consider that there are more appropriate methods for achieving an affordable housing objective.
- a. Providing residential zoned land that provides for greater development flexibility will enable developers to more easily, and cost effectively, meet market demand. This includes enabling more land efficient and lower price pointed medium density housing product (such as terrace housing and low rise apartment developments);
  - b. Greater provision of worker accommodation across a wider range of zones; and
  - c. A general rate, across the region, or increased targeted rate on Visitor Accommodation, as outlined in Ms Hoogeveen's evidence<sup>3</sup>.
24. In conclusion I consider that there are more appropriate mechanisms, than an IH financial contribution, for achieving housing affordability objectives. To the contrary, an Inclusionary Housing financial contribution will likely slow down housing development and increase house prices.



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**Hamish Anderson**

Dated: 21 December 2023

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<sup>3</sup> Evidence of Ms Hoogeveen, paragraph 3.11