

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 and Supplementary Evidence of Philip Osborne

4 March 2024

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Introduction

- 1 My full name is Philip Osborne
- 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.
- 4 I reconfirm that I have read and agree to comply with the Code of Conduct for Expert Witnesses in the Environment Court Practice Note 2023.

Summary of Evidence

- 5 The Queenstown Lake housing market has experienced rapid growth over the past two decades in both demand and subsequently price. This growth has led to an increasing lack of housing affordability for a key demographic of the local community.
- 6 There appears to be no disagreement regarding the importance of housing affordability and the need for the Council to enable conditions that efficiently provide for this sector of the community. The fundamental difference with the Council position is that rather than facilitating this, the variation as proposed is unlikely to improve this and in fact comprises an approach that is likely to result in a less affordable housing market overall.
- 7 Given the range of historical and current factors that have put pressure on the district's housing supply, the issue of affordability is likely to be one that requires several approaches/methods to solve.
- 8 The key economic issues of contention regarding the variation as one of these methods include:
 - (a) The lack of clarity and confidence in relation to the economic assessment underpinning the variation,
 - (b) The lack of recognition, and therefore, targeting of the factors contributing to the lack of affordability. This includes the impact of residential visitor accommodation as well the implementation of supply-side policies directed through the NPS UD.
 - (c) International literature on inclusionary zoning cited to support the variation has not differentiated between key factors such as development or financial incentives. The research illustrates real risks of reductions in housing supply and price increases.

- (d) The uncertainty created in the housing market around an unevenly implemented tax.
 - (e) The level of impact on the supply and price in the district housing market.
 - (f) The appropriateness of those bearing the tax.
- 9 A specific point of contention relates to 'windfall gain' from 'planning uplifts'.
- 10 A key economic issue with this is the position that the Variation itself does not provide any windfall gain or planning uplift in development potential. The 'uplift' provided for through other variations seeking to implement the NPS UD have a clear objective to improve housing choice, a competitive land market, and affordability, therefore any 'tax' on these changes will inevitably impact upon these objectives. As identified many of the successful international examples indicated, and the previous affordability approaches adopted by the Council, included a development bonus with the condition of associated affordable housing.
- 11 A number of these points are recognised in the economic evidence of Council, with an attempt to mitigate them. In section 8.1 of the economic rebuttal some further points are raised. A key issue relates to who bears the direct cost of the variation (8.1 (b)). Mr Eaqub states that who bears the depends on whether a policy is widely and consistently applied. This is clearly not the case with the housing development capacity with Queenstown under the variation with many development options now exempt, leaving a very narrow base to bear the taxation. In fact the Council Joint Housing Action Plan 2023-2028 stated that 'Responsibility for housing rests with everyone – all levels of government, the property and development sector, businesses and employers, the community housing sector, and the broader community' (Page 3).
- 12 A potential alternative to this funding has been identified through general or targeted rates (given the benefits of affordable housing are the community as a whole). This would spread the cost across a significantly wider base as well achieving consistency and equity, and potentially providing a disincentive to converting dwellings to RVA rather than long term rental.
- 13 In his summary statement (paragraph 8) Mr Eaqub addresses this by stating there are many other competing uses for rates 'without adding even more demands on it'. I find this response untenable economically for two reasons. The first is that the position holds that legitimate costs to the community should not be targeted at the community as a whole but that a very small subsection should pay relatively greater taxes, regardless of the

impact on the very market (house prices) the variation meant to be helping. Secondly the housing development market has seen cost increases, over the past decade, that far outweigh rates increases and have been fundamental in impacting Queenstown's affordability.

- 14 The majority of my economic concerns do not relate to either affordability or inclusionary zoning as a tool, but to the application of the variation itself. It would appear that the objective of the variation is to safeguard a small (as yet unknown) number of affordable homes at the expense of affordability for the rest of the market. The result is likely to be less affordable homes for the rest of the low-income households not fortunate enough to be one of the lucky few
- 15 Overall, I have seen no economic evidence to alter my position that this variation is likely to be inefficient and ineffective in addressing Queenstown's housing affordability issue, and in fact is likely to potentially compound it.

Philip Osborne
4 March 2024