

PROPOSED TE PŪTAHI LADIES MILE PLAN VARIATION

RESPONSE OF SUSAN MICHELLE FAIRGRAY ON BEHALF OF THE QUEENSTOWN LAKES DISTRICT COUNCIL

Introduction

- 1 My full name is Susan Michelle Fairgray. I am an economist and Associate Director at Market Economics.
- 2 I have prepared the following documents with regards to the Te Pūtahi Ladies Mile Plan Variation (**TPLM Variation**):
 - (a) Statement of evidence on behalf of Queenstown Lakes District Council (**QLDC** or **Council**) dated 29 September 2023;
 - (b) Rebuttal evidence on behalf of QLDC dated 10 November 2023;
 - (c) Written answers to questions from submitters dated 24 November 2023; and
 - (d) Summary of evidence dated 4 December 2023 including Appendix A response to the Hearing Panel Minute: Pre-Hearing Questions.

Response to questions raised by the Panel during the Hearing

Residential density in HDR Precinct

- 3 I have considered the range of views on density minimums in the High Density Residential (**HDR**) Precinct presented by the submitters during the hearing (and the densities proposed by Anna Hutchinson Family Trust (**AHFT**) post-hearing (on 18 December 2023)), and the comments on density made by the Panel. In this section I respond to these views and comments. I also clarify my support for proposed density minimums to set out where it is reliant on important interdependencies with other provisions that affect the enabled timing and staging of development to achieve the densities.

HDR Precinct Combined Development Pattern

- 4 In the HDR Precinct I retain my support for an *overall* density of at least 50 dwellings per hectare (gross) to be achieved at the total landholding level within the precinct. Several submitters support a reduction in the minimum density required for the HDR Precinct to an *overall* density of 40 dwellings per hectare (gross). In response, I set out:
 - (a) how I consider development can occur from the short-term that achieves a minimum density of 50 dwellings per hectare through time; and
 - (b) how this can importantly provide for areas of the HDR Precinct to be developed at medium densities of at least an average of 40 dwellings per hectare (i.e. outside of the areas retained for higher density development).
- 5 My support for a minimum density of 50 dwellings per hectare is dependent upon the concurrent application of provisions to adequately enable the range of dwelling types and densities that collectively achieve the overall density in aggregate. These need to enable the development of dwellings that contribute to a beneficial dwelling mix for long-term housing need in the community in a way that corresponds to the scale and timing of market demand and feasibility. I agree with the submitters that it is important for the precinct to be able to development in a market feasible way in the short-term.
- 6 I therefore support:

- (a) Retaining the development opportunity for higher density dwellings (defined as 4+ storey apartments), with the ability to develop at reduced densities if higher density dwellings do not become feasible in the long-term.
- (b) Enabling the rest of the HDR Precinct land area to develop, from the short-term, at densities that are currently market feasible.

7 I have listened to the submitters' views during the hearing that 40 dwellings per hectare is currently market feasible in Queenstown. I respond to these views in relation to the component of development that I consider could occur across the HDR Precinct at this scale.

8 In my view, it is important to take account of how the local market scale may affect how a density of 40 dwellings per hectare is achieved. A smaller local market, particularly in the short to medium-term, is likely to result in incremental ad-hoc developments that occur at the site level at a range of densities and collectively achieve an average density of at least 40 dwellings per hectare. This contrasts subdivision development patterns in a larger market where densities can be achieved at the outset through the simultaneous development of several sites (collectively containing a range of typologies).

9 My analysis of the dwelling mix at this density (40 per hectare), together with that presented in submitter evidence, finds that it collectively ranges from less intensive duplex pairs up to low-rise walk-up apartment dwellings. Individually, therefore, these dwellings could range from site-level densities of 30 dwellings per hectare (less-intensive duplexes) up to between 100 and 150 dwellings per hectare (low-rise walk-up apartments). In my view, the combination of these dwelling types is likely to be beneficial for long-term housing need.

10 I consider it is, therefore, important that provision for the areas of the HDR Precinct developed at medium densities (i.e. outside of the areas retained for higher density development) enable ad-hoc sites to be developed at these densities to collectively achieve at least 40 dwellings per hectare.

HDR Precinct Higher Density Component

11 Landowner submitters provided a range of views on the feasibility of higher density development (4+ storey apartments). Some submitters consider that higher density development is likely to be feasible within TPLM, with some indicating it may be feasible within the short to medium-term. Submitters highlight the natural amenity generated through views of the Remarkables and Lake Hayes as a factor contributing to feasibility for this development, particularly on elevated sites. Other submitters consider that higher density apartments are unlikely to ever become feasible at TPLM.

12 As noted above, I support retaining the development opportunity for higher density dwellings with the ability to develop at reduced densities if higher density dwellings do not become feasible in the long-term.

13 This is because I consider that higher density dwellings, if able to be achieved, would be beneficial for long-term housing need in the community. They would increase the range and number of dwellings at TPLM, and would be likely to contribute positively towards improving housing affordability in Queenstown. Importantly, effects on housing affordability occur through a combination of the value of dwellings as well as the number produced. A greater number of apartments in the lower dwelling value bands may have a greater total effect on housing affordability than fewer dwellings at a lower value than apartments. I note also that greater numbers of dwellings are likely to result in higher land use efficiencies.

- 14 In my assessment, I have considered the balance of dwelling supply benefits to the community over a longer-term timeframe and the benefits and costs to the commercial sector component of the dwelling market over a shorter timeframe. The likely benefits and costs are not driven by a dichotomous assessment of the presence or absence of the approach itself, but rather a differentiated assessment that takes into account the quantities of land required for higher density development, the spatial extent across which they are applied, the number of dwellings required and the likely timing and uptake of development across the precinct overall. It is the balance and interaction of these factors that determine the benefits and costs.
- 15 In my view, a key aspect is the number of higher density dwellings required, and whether this is likely to be reasonably achievable for the commercial part of the market. My summary statement shows that if most (at least 90%) of the HDR Precinct is developed at densities that are currently commercially feasible, then between 100 and 275 higher density apartments would be required in the HDR Precinct to achieve an overall density of 50 dwellings per hectare. The reasonableness of this level of development is determined by a combination of market feasibility as well as market size in relation to the timing of development.

Cost of Retaining Areas for Future Higher Density Development

- 16 The Panel raised concerns over the potential costs of retaining areas for future higher density development. These include the concerns put to AHFT's economic expert witnesses over whether this approach may limit intensification around the Commercial Precinct in the short to medium-term.
- 17 In my view, the timing of the overall TPLM development is critical to whether or not land areas retained for future higher density development opportunity are likely to generate a cost arising from foregone development opportunity. The total scale of the combined Medium Density Residential (**MDR**) and HDR Precincts relative to market demand mean that significant shares of the precincts are likely to remain vacant into the long-term, irrespective of retaining areas for future higher density development opportunity. I therefore consider that these sites are unlikely to generate a cost of lost development potential till the long-term, at which point they could alternatively develop at medium densities if higher density development remained infeasible. I note that this is dependent upon effective provisions enabling these areas to develop at alternative densities that are market feasible.
- 18 I consider that a cost of reduced intensification in the HDR Precinct around the commercial centre is unlikely to occur as a result of retaining areas for future higher density development potential. Only a minor portion (4% to 9%) of the HDR Precinct land area would need to be retained for future higher density development. Landowners are able to decide the location for these areas, which can occur anywhere within the HDR Precinct. The timing of development across the precinct means that there are likely to be a significant portion of sites remaining vacant into the long-term irrespective of any areas retained for future higher density development potential.
- 19 In response to the issues raised by the submitters around the current feasibility of higher density development, my support for an overall average density of 50 dwellings per hectare is contingent on the ability to develop the rest of the HDR Precinct land area at reduced densities in the short to medium-term that are currently commercially feasible. If this mechanism were not enabled, then I would hold similar concerns to those of Ladies Mile Property Syndicate (**LMPS**) in relation to delivering dwellings at densities of at least 50 dwellings per hectare from the short-term. If areas were developed at this density, without the inclusion of higher density apartments, then this would either require an increased share of low-rise apartments

or result in a narrower range of more intensive terraced housing. Increased shares of development as low-rise apartments are unlikely to be sustained by the market, while a narrower range of terraced housing would reduce the dwelling mix available to the community.

Density Maximum

- 20 The Panel raised whether there is a need for a density maximum.
- 21 There are three reasons why I do not support the application of a maximum density within either the MDR or HDR Precincts.
- 22 Firstly, development patterns with a dwelling mix that is likely to be beneficial for longer-term housing need in the community (with an overall average of at least 40 or 50 dwellings per hectare) would consist of sites containing individual developments at a range of different densities. As above, these would include low-rise apartment dwellings, which have site-level densities of between 100 and 150 dwellings per hectare. The scale and timing of market demand means that some sites are likely to be developed individually and not simultaneously with other sites to collectively achieve a density within the proposed ranges. This may limit the ability to develop sites with more intensive dwellings (such as low-rise apartments) that form an important part of the dwelling mix, but, individually, would exceed the proposed maximum. In my view, a limited ability to deliver these dwellings may result in a reduced range of dwellings.
- 23 Secondly, I consider that there is unlikely to be a need for a maximum density as a mechanism to limit the total dwelling yield across TPLM. The commercial market alone would be unlikely to achieve overall dwelling densities toward the maximum range at a precinct level. Achieving overall higher densities would require a greater number of low-rise or higher density apartments beyond the levels that I consider would reasonably be able to be sustained by the projected market size.
- 24 Thirdly, I consider that a height limit approach is likely to form a more efficient way of limiting dwelling numbers in the MDR Precinct. The proposed height limits, amounting to between 2 and 3 storeys, are likely to limit development to medium density dwellings. I consider that the commercial market by itself is likely to produce a range of medium density dwellings that are closer to the proposed density minimum of 40 dwellings per hectare.

Separate MDR and HDR Precinct Area Zones

- 25 In response to questions raised by the Panel, I have considered further the differences in development patterns between the currently proposed MDR and HDR Precincts.
- 26 I support a differentiation in development provisions between areas within the combined spatial extent of the MDR and HDR Precincts.
- 27 The inclusion of higher density development within the likely dwelling mix forms the main difference between the MDR and HDR Precincts. I consider that the development pattern across the HDR Precinct outside of the areas developed as higher density dwellings is likely to be similar to that in the MDR precinct.
- 28 In my view, the spatial extent of the HDR Precinct is important for determining both the overall size of the higher density component and its location relative to the overall TPLM development pattern. A key issue is the spatial extent of higher density development from the Commercial Precinct. While higher density development may be sustained by other factors, such as views, the commercial amenity of the Commercial Precinct is relevant. The Commercial Precinct is likely to experience

greatest benefit from higher density development that is located within closer proximity than development occurring in areas further from the commercial centre.

- 29 In response to the questions raised by the Panel during the hearing, I have further considered the potential to instead identify specific sites for future higher density development in areas closer to the Commercial Precinct, with the remainder of the HDR Precinct having the same development provisions as the MDR Precinct. This may generate a development pattern that is most efficient in the long-term if higher density development becomes feasible. However, I consider that this may result in a cost of reduced intensification around the Commercial Precinct in the short to medium-term if these sites remain vacant during this time period (as opposed to the vacant sites being throughout the HDR Precinct). These sites may also have lower feasibility than other sites with greater natural amenity from views in other parts of the HDR Precinct. I therefore consider that providing flexibility for the commercial market to determine the location of higher density development within the HDR Precinct is likely to form a more efficient approach.

Application of a Single Zone Across the Proposed MDR and HDR Precinct Areas

- 30 The Panel noted several times whether there needed to be both the MDR and HDR Precincts, or alternatively whether it could just be one Precinct. Accordingly, I have considered the application of a single zone applied across the proposed combined spatial extent of the MDR and HDR Precinct areas.
- 31 If a single zone (at a minimum density of 40 dwellings per hectare gross) were applied across the currently proposed extent of the combined MDR and HDR Precincts, then I consider the main effect is likely to be the removal of the higher density apartments from the potential development profile. In forming this view, I have assumed that most of the HDR Precinct would already develop at these densities, with a minor share of land area potentially developed at higher densities.
- 32 In my view, a minimum density of at least 40 dwellings per hectare would also produce a mix and range of dwellings that is likely to be beneficial for long-term housing need in the community. It would also increase the range of dwelling types available to the community at both the eastern corridor and Wakatipu Ward levels. The resulting dwelling mix would be likely to increase housing affordability as it would produce dwellings predominantly in the lower to mid dwelling value bands.
- 33 I consider that the costs of a single zone at this density may occur through a reduction in both the range and number of dwellings delivered within TPLM relative to the proposed minimum densities. While the likely dwelling mix would be likely to produce a beneficial mix of dwellings, it is likely to be less beneficial than a dwelling mix that contained a component of higher density dwellings. Part of this effect is associated with a reduction in the range of dwellings, with a component also due to fewer dwellings through alternative medium density development of these sites at a lower yield.
- 34 If a single zone is instead applied, then I consider that higher density development should at least be enabled within parts of this zone. I note that most of the economic experts agree that there are benefits in providing for higher density dwellings within the HDR Precinct as part of the dwelling mix (JWS issue 4). I consider this could occur through retaining the proposed height limits across the MDR and HDR Precincts together with the removal of the density maximums.

Residential Visitor Accommodation

- 35 I support removal of the 90-day limit where residential visitor accommodation (**RVA**) is enabled within higher density apartment buildings in the HDR and Commercial Precincts. I consider that the application of a 90-day limit is likely to reduce the incentive offered by RVA to increase the feasibility of development. As set out in my rebuttal evidence, I consider an appropriate share of dwellings within the higher density dwellings should be set aside as RVA. Based on my analyses of recent higher density apartment development, this would equate to up to 50% of dwellings within a 6-storey apartment building.

AHFT Proposed Western Extension Area

- 36 AHFT provided further information on 18 December 2023 on the proposed western extension area. I have further considered the timing and density of development in the proposed western extension area and also questions on these matters raised by the Panel during the hearing.
- 37 I have further considered whether medium density development in this area in the short-term may dilute the intensification around the Commercial Precinct within the TPLM. In my view, the propensity for short-term medium density development in this location to delay medium density development in parts of the MDR and HDR Precincts closer to the Commercial Precinct is related to the scale of development opportunity enabled in the proposed extension area.
- 38 The further information provided by AHFT (on 18 December 2023) shows a proposed MDR area of around 8 hectares. This is significantly smaller than the 15 to 20 hectare area indicated by the submission maps, which was large relative to the originally-proposed TPLM Structure Plan MDR Precinct area of around 14 hectares. The initially indicated area, if developed at the MDR Precinct proposed minimum densities, may have resulted in a larger shift to the centre of residential development gravity of TPLM.
- 39 The further information provided by AHFT correspondingly confirms a lower medium density dwelling yield than earlier indicated by the potential additional MDR Precinct area. This therefore correspondingly reduces my concern around the potential for dilution of intensification within other parts of TPLM closer to the commercial centre.
- 40 I consider that the effect of a short-term delay in intensification in other parts of TPLM needs to be balanced with a development pattern in the proposed extension area that best aligns with housing need in the long-term. I consider that long-term development of the proposed western extension area at a medium-density scale is likely to form an efficient pattern of development. I recognise that if the area is developed in the short-term at a lower density, then it is unlikely to be redeveloped at a medium density during the medium to long-term.

Housing Affordability and Dwelling Mix

- 41 The Panel were interested in the key aspects for improving housing affordability in TPLM. LMPS also made statements on the effect of HDR Precinct proposed minimum densities on resulting dwelling mix and its alignment with patterns of long-term housing need in the community. I respond to these matters in this section.
- 42 I consider that achieving a beneficial dwelling mix for long-term housing need in the community is a core component of improving housing affordability in Queenstown. Importantly, this is a function of both dwelling typology and size. A dwelling mix across both of these factors is required to meet long-term community demand. While there is a correlation between dwelling size and dwelling value, the typology also

significantly influences the substitutability of household demand across different housing options.

- 43 Housing affordability is not increased through adding dwellings in the lowest dwelling value bands alone. It also requires an increased range of dwelling options that are suited to each household size and type, a share of which require larger dwellings. For instance, a three to four bedroom duplex is likely to form a cheaper viable option for a larger family household that may alternatively occupy a larger detached dwelling. While this larger duplex dwelling is unlikely to occur in the lowest dwelling value bands, it increases housing affordability for households that may otherwise occupy dwellings in the mid value bands.
- 44 I consider that the TPLM Variation needs to enable a dwelling mix that achieves both an increased range of smaller cheaper dwellings as well as sufficient flexibility for the market to deliver a pattern of dwellings that provides medium-density housing options for a range of housing types.
- 45 I agree with the submitters that this can generally be achieved across most of the TPLM at a minimum density of 40 dwellings per hectare. I consider that the range of dwelling options available would be further increased if areas of the HDR Precinct were developed at higher densities later during the development period of TPLM to achieve an overall density of 50 dwellings per hectare. However, I agree with LMPS that if a development pattern of 50 dwellings per hectare were required in the short-term, and higher density apartments are unlikely to be currently feasible/the landowner did not have capacity to deliver higher density apartments, then this would result in a reduced dwelling mix that would correspondingly have reduced benefits for improving housing affordability.

Susan Michelle Fairgray

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