

Submission to MDC on the 2021 – 2031 Long Term Plan

Greg Smith
DeLuxe Property Group
P O Box 284, Blenheim
greg@dppl.co.nz

Housing – Pages 21 – 27

The issue that Marlborough is facing is a nationwide issue. It comes down to supply and demand.

History 2002 - 2020

The Marlborough District Council has largely controlled the supply of residential sections in the Blenheim market for the past 20 plus years. Whether Council likes it or not, Council has had a huge conflict of interest in this area and has helped to drive prices up.

When DeLuxe Property Group first started out in the residential property development business in 2002, Council was our biggest competitor with its Forrest Park and then Boulevard on Taylor subdivisions. Council had a very conservative approach to sales whereby it needed to have considerable pre-sales before it would commence physical works on a new stage. This meant for almost all of its developments between the late 1990's through to 2020, Council hardly ever had sections available that people could come into town and purchase, ready to lodge a building consent. If you wanted to purchase a section from one of its developments, then you were going to need to make a purchase for a section that would title sometime in the future, or if you were lucky enough you may have been able to purchase an on sale.

Our first Blenheim subdivision was Covent Gardens which we commenced in 2003. We were put into a situation right from the outset with this subdivision that we would not be able to seek titles because there was no sewer capacity in Springlands to cater for this, or any future subdivision. For us to progress with this land development, we acquired another block of land that later became Nottingham. We were fortunate that the original owner of this land had been promised 20 sewer connections and we managed to negotiate with Council for these to be transferred across to Covent Gardens. This lack of available infrastructure creates delays and costs money. Had the Council sewer upgrades on Batty's already been done, then this would have sped up the process of the north/ west development.

With our current Rose Manor development, we could be another two years further down the track had the sewer upgrade that is currently taking place been completed as promised, in July 2016. It took over 2 years to get a storm water discharge consent actioned so that we could discharge our stormwater from Rose Manor into Casey's Creek.

Long Term Plan 2021 - 2031

In the LTP it states - "The good news is that 1,900 lots (plus infill possibilities) are zoned for housing in Blenheim". - Anyone that has any experience from doing infill developments will know the fish-hooks that exist. I believe that most of the easy infill has already been done. What is left is not simple by any means. If an infill developer wants to remove an existing older house, then they could be faced with all sorts of issues with contamination from the likes of asbestos to lead poisoning in the ground. I am aware of some real horror stories which have added many \$10,000's onto the cost, due to soil remediation required.

In theory the number of infill possibilities looks good, however in reality it is not easy and will be a very slow process. What Council has proposed with a reduction in fees for infill is certainly a step in the right direction.

I believe that looking 15 years in advance is nowhere near enough. Planning needs to be looking out 25 – 30 years in advance for Zoning and 5 – 10 years in advance for having infrastructure in the ground ready for development. This would give Developers a good insight into which land is likely to progress and when. I believe Blenheim has always been on the back foot when it comes to having infrastructure ready for future development.

Right now, we have the Wai Iti and Rose Manor subdivisions being constructed. Neither development has any sections for sale that will title this year. Pre-sales are being made for sections that will title in February/ March 2022. If we have Kiwi's returning to NZ or people wanting to move here from other locations, there are no sections that they can go and purchase and lodge a building consent. If they are likely to find an onsale section then they will have to pay an over inflated price to purchase. A recent 740 sqm onsale in Omaka Landings has sold for \$440,000 and a 500 sqm section in Stratford Street for \$445,000.

I believe Blenheim should always have at least 3 developments taking place at any given time to give people choice. These developments should have Council infrastructure that is in the ground ready to receive the growth to be created. They shouldn't have to wait for this land to be serviced. The Wai Iti land has sat for over 20 years Zoned. Shouldn't this land have had Council services ready to tap into long before now?

The big burning question is not now or even in the next couple of years. We currently have Wai Iti and Rose Manor that is filling a void. The burning question is what comes next? From my experience it takes a good 3 years to get a subdivision from the planning stages, Council infrastructure in the ground, to having titles issued. With Storm Water Consents, Land Use Consents and other regulatory requirements there will always be delays.

Due to a current lack of supply, section prices have gone up from around \$295,000 for sales made in mid 2020 to over \$400,000 in some cases in 2021. We have had people purchase in Stage 7B at Rose Manor, where sections were sold in mid 2020 at \$295,000 to then resell them setting new records for over \$380,000 in early 2021. Delays in our development have very much fallen into our hands from a financial perspective, however it shouldn't be like that. Delays help create a lack of supply, cost money, and strangle growth.

One of the big issues that the NZ housing market has faced was a result of the Global Financial Crisis. In 2008 the property market took a dive and stagnated for around 3 – 4 years. In this time Councils throughout the Country stopped putting infrastructure in the ground, some developers went broke, large apartment redevelopments fell over and subdivision development slowed to a snails pace. Some Building companies went out of business, new apprentices weren't employed and a lot of experience migrated to Australia. In 2012 the market started to surge again and has generally continued to do so ever since.

This Governments Kiwi Build programme was a miserable flop as they didn't understand that building houses is the easy bit. It's the infrastructure that needs to go in the ground and development of land which is the key to supply. They seem to have finally woken up to this in 2021.

Page 23 of the LTP – What Could Council do to improve housing and land availability, resulting in more affordability?

1. **“Increase land available for residential development”** - Yes, Council needs to increase the areas of land available for residential development by Zoning additional land. There are however issues regarding this. I see that there could be considerable conflicts in the process. This Government has legislated that good food producing land should not be used for residential development going forwards. All of the land that is currently Zoned for future development in Blenheim, I believe falls into this category. Plus all land whether is be east, west or North on the periphery of Blenheim falls into this category. I believe this is something this Council needs to have clarified and work through at Central Government level, otherwise it could take years to rezone future land and we will always be behind the 8 ball.
2. **“Council acquire more land to develop themselves as they did with Forrest Park and Boulevard on Taylor”**. I don’t believe this is Council’s role. As highlighted previously, Council completely controlled the speed in which sections were developed in Blenheim for many years. Council’s role should be to make sure that infrastructure is in the ground ready for future development and before it is required. This will avoid delays in future developments.
 - a. Also - Council has been our biggest competitor. It has been a difficult process when your biggest competitor –
 - i. Decides which land is Rezoned and sets the timetable in which you can or can’t proceed.
 - ii. Sometimes is responsible for consenting this land to receive the likes of stormwater. This can be a very long drawnout process which can cause delays.
 - iii. Sets the rules through a Resource Consent process.
 - iv. Sets the Development Contributions and Zone Levies with which you will be charged. As from 1 July 2021 the DC’s and Zone Levies for any newly lodged Resource Consent in the north/ west, under this new proposal, will see total fees charged to the developer of over \$77,000 per Lot.
 - v. Council as a competitor pays no tax on profits. This is probably good for the rate payer however as a competitor it is grossly unfair to both us as a private developer trying to compete, plus any future developers in the region.
3. **“Utilise it’s powers to enable further subdivision to take place”**. By all means if this is what’s required then go for it.
4. **“Amend it’s rating policies”**. This is totally unfair and goes against what all residents in public meetings were told would happen if their land was rezoned in the North/ West. We were assured that our rates would remain as though we were still under the rural zoning until our land was developed. I don’t believe it is ethical to go against what owners were advised when agreeing for their land to be rezoned.
5. As to **“Social Housing”** I personally have no issue if Council get’s more involved through providing land and building more Council rentals if that’s what they see fit to do. I however would not like to see Social Housing being forced upon developers and be part of all new developments.

As PC as it may be, I don't believe that Social Housing and high end housing developments are a good mix. There is land at the hospital and the end of Muller Road that would make great starting points for social housing development. Both blocks have been sitting idle for years. I remember going to a public meeting of interested parties regarding the hospital land over 5 years ago. At that time, we were told there was just a couple of hurdles to cross before it was going to be sold. These sorts of time delays is the reason for the current lack of supply on new sections in Blenheim.

6. I believe - Council Needs to take a Leadership role in further areas

- a. I also believe that Council could be more proactive in trying to assist with getting parties together to try and get better outcomes. Two areas that come to mind –
 - i. Housing NZ are building new town houses on Charles Street next to the Chateau Marlborough. The Chateau Marlborough had purchased a section 3 sections along the road in the hope to do a land swap so that they could further expand their hotel. Council have been trying for the past 25 years to get a new hotel development in Marlborough however the economics don't stack up. I believe that Council could have assisted with behind the scene negotiations to try and make this land swap a reality. As an independent body showing leadership this could have been a win win situation and very beneficial to Marlborough as a whole. There has been very little new accommodation provided in Blenheim for the tourism sector in the last 10 years and this is one of Chateau Marlborough's very few options available to expand.
 - ii. The second is the Ladies Club and Blenheim Club on High Street. I believe that Council could have been proactive in trying to negotiate for both of these Clubs to go to the old Marlborough Club building overlooking the Taylor River. This could have reduced Clubs of Marlborough debt, would have freed up land which Scenic Circle have tried to purchase, ever since we sold the hotel to them in 2002. Adding more rooms to existing hotels is a logical way to expand more tourist accommodation which will be required again when the borders reopen. Helping to broker such deals behind the scenes makes a lot of sense in my mind.

Paying for Growth – Who Should Pay?

I agree that Developers should pay their fair share of these costs however there is also other issues that should be considered. Take Rose Manor as an example. The rate take on this land before it was developed was around \$15,000. The rate take, once it's developed will be around \$700,000 per annum. There is absolutely no consideration of this increase when setting Development Contributions.

Reserve Fund Contributions

I understand that the Reserve Fund Contributions from the development of new sections should go towards the cost of developing Reserves in the immediate area that the development will service. In the case of Rose Manor and the land immediately west out to Thompson's Ford Road there will only be 1 Reserve which is located on the corner of Rembrandt Drive and Albert Grove. Reserve Fund Contributions already collected, and based on the newly proposed \$16,675 per new lot, this will give Council a Reserve Fund collection of \$4.5 - \$5m. The actual cost of purchasing and developing the Reserve will be around 1/3rd of what is collected leaving a profit of over \$3m.

It could be argued that this goes towards other Reserves that have to be expanded for population growth. However, surely the Community Facility Levy of \$4,025 per newly created Lot should be the levy that goes towards these other Reserves and facilities.

I strongly object to any increase in the Reserve Fund Contributions and struggle to see how there is any justification. The type of spending used from this fund I believe should be coming from general rates as everyone benefits and not just people purchasing new sections.

Other Development Levies for Sewer, Stormwater, Water etc I believe are all fair and reasonable.

I am not sure whether Councillors were aware prior to reading this submission that fees for the North West under this new proposal will be in excess of \$77,000 per newly created lot, including Zone Levies? This is an increase of \$9,000 over what we have been paying. With these levels of fees there is absolutely no incentive to create smaller Lots of around 400 – 500sqm.

In Summary

1. I don't believe Council has a role to play in the development of land unless it wants to give up it's other responsibilities.
2. Council should rezone more land for future requirements out to 25 – 30 years and supply infrastructure 5 – 10 years in advance so that developers know what land is next in the pipeline. This is the only way that supply will finally exceed demand.
3. I have no issue if Council wants to expand its Social Housing portfolio. Hopefully it would use local companies to construct such a development.
4. Council should not be afraid to use legislation to progress the development of land if this is what's required.
5. Residents in the North/ West who are sitting on Rural land yet to be developed should not be charged a higher rate as suggested, when they were promised otherwise.
6. There is no justification to increase the Reserve Fund Contributions when Council effectively collects 3 – 4 times the amount in Contributions to what it actually spends in that immediate area.
7. An increase of \$9,000 per Lot is a considerable increase and is it justified?

Signed

—


Greg Smith - Managing Director – DeLuxe Property Group