

Peer Review:

# Review of Queenstown-Lakes District Plan Business Zones Capacity and Development of Zoning Hierarchy

McDermott Miller Strategies Ltd in Association with Allan  
Planning & Research Ltd

---

Prepared by  
McDermott Consultants Ltd



Auckland

31 January 2014

---

# Contents

## Executive Summary

1	Peer Review Purpose and Method .....	1
1.1	Objective .....	1
1.2	Approach to the Peer Review .....	1
1.3	The Terms of Reference .....	2
1.3.1	Has the Report Met the Terms of Reference? .....	3
2	Review .....	4
2.1	Section 1 – Introduction.....	4
2.1.1	Key Points.....	4
2.1.2	The Approach Adopted .....	4
2.1.3	Appraisal: a conventional approach with provision for diverse outcomes .....	5
2.2	Section 2 - The District’s Economy.....	5
2.2.1	Key Points.....	5
2.2.2	Discussion.....	5
2.2.3	Appraisal: Tourism as a strategic priority for development .....	6
2.3	Section 3 – Spatial Economy 2012 .....	7
2.3.1	Key Points.....	7
2.3.2	Discussion.....	7
2.3.3	Appraisal: Distinctive centres, different policy responses.....	9
2.4	Section 4– Economic Growth Scenarios .....	9
2.4.1	Key Points.....	9
2.4.2	Discussion.....	11
2.4.3	Appraisal: Commercial land – unders and overs .....	12
2.5	Section 5 – Towards a Centre-Based Development Strategy .....	12
2.5.1	Key Points.....	12
2.5.2	Discussion.....	13
2.5.3	Appraisal: Seeking a Balance.....	13
2.6	Section 6 - Strategic Issues and Initiatives.....	14
2.6.1	Key Points.....	14
2.6.2	Discussion.....	14
2.6.3	Appraisal: Questions raised .....	15
2.7	Section 7 – Towards a Zoning Hierarchy.....	15
2.7.1	Key Points.....	15
2.7.2	Discussion.....	16
2.7.3	Appraisal: Policy options.....	17
3	Evaluation .....	20
3.1	Overall Approach .....	20
3.2	Methods of Analysis.....	20
3.3	Assumptions.....	20
3.4	Conclusions .....	22
3.5	The Policy Framework.....	23

# Executive Summary

## Purpose

This review is intended to ensure that the McDermott Miller Ltd (MML) report prepared in association with Allan Planning and Research Ltd on *Business Zones Capacity and Development of a Zoning Hierarchy* provides the Queenstown Lakes District Council (QLDC) has a robust and defensible economic foundation on which to build the strategic direction of the reviewed district plan.<sup>1</sup> It considers each section of the MML report in turn, summarising and discussing the key points and providing an independent appraisal of the content and conclusions reached (Section 2). It also provides an overview of the approach adopted, the methods used and assumptions made, the conclusions and policy recommendations (Section 3).

## Principle Conclusions

It is concluded that the MML business zones report provides a sound evidential basis for the development of council policy with respect to the spatial development of settlements and centres within Queenstown-Lakes District.

The approach adopted and methods used comply with good practice in terms of projecting possible future demands for retail and non-retail commercial land. The economic model is appropriate for the use it is put to. The underlying assumptions are consistent with those used in similar studies.

The introduction of tourism-driven economic growth scenarios avoids reliance on the uncritical adoption of cohort based population extrapolation sourced from Statistics New Zealand without consideration of the economic factors driving labour demand and future migration prospects. The range of outcomes projected demonstrates that the amount of commercial land available or planned in Frankton is excessive even under optimistic assumptions, and would be required only if the rate of growth of tourism increases substantially above historic levels. Only under the least likely scenario – with the rate of international tourism night growth tripling and tourist spending per day jumping by 25% – is it possible that development of the pool of vacant and proposed commercial land might be justified.

While they have not been the focus of this review, the conclusions reached for the role and prospects for Wanaka appear reasonable and uncontentious. The results provide a reasonable framework for managing the demands that will be made on commercial land and their potential effects on the town centre.

The major challenges for Queenstown are identified and the alignment of spatial planning with the town's economic prospects and its current and future dependence on tourism are well drawn out.

## Policy Options

Considerable weight is given to adopting a retail hierarchy as a planning method to manage future plan change initiatives and place the development focus back on Queenstown town centre.

A more flexible centres-based policy might treat each centre on its own merits with respect to its current and possible future functions. This would highlight the district-wide role played by Queenstown town centre and its national significance as the heart of the alpine and adventure tourism product in New Zealand. It would acknowledge the functional differences between the

---

<sup>1</sup> The information in this report is presented in good faith using the best information available to us at the time of preparation. It is provided on the basis that McDermott Consultants Ltd and its associates are not liable to any person or organisation for any damage or loss which may occur in relation to that person or organisation taking or not taking action (as the case may be) in respect of any statement, information, or advice conveyed within this report.

centre and Frankton and provide grounds for facilitating the expansion and intensification of the former so that it can continue to fulfil its role.

Under this approach, the prospect and consequences of over-supply of commercial land in Frankton would be dealt with through the environmental and building standards applied there, through the sequencing of infrastructure and service development, and through measures to maintain (or lift) the quality of the built environment and to avoid or mitigate the risk of reverse sensitivities and conflict in a mixed-use area. For this reason, a master planning approach across the various land use components and parcels of Frankton may be called for.

Such a modification would require only minor changes to the policies contained in the draft Centres Chapter proposed for the District Plan review

### **Towards an Integrated District Development Strategy**

The analysis of commercial land provisions and expectations and the linking of future demand to the future of the tourism industry by the MML report provide a focus for strategy development and the grounds for the proposed Centres Chapter. However, this contributes to only one of the inter-related planning challenges facing the council. It is important to how the centres are treated and to the development of the district as a whole that other issues, including the capacity for housing, employment, and visitor facilities, for example, are captured in a coherent development framework for Queenstown.

The parameters for these land uses, for the redevelopment of the centre, and for district plan provisions for development throughout Queenstown might best be determined through a strategy expressed physically in the form of a spatial plan. This would align the development of infrastructure and services with land use arrangements, including but not limited to the current and future roles of individual centres.

# 1 Peer Review Purpose and Method

## 1.1 Objective

This review of the draft *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy*<sup>2</sup> (“the business zones review”) was commissioned by Queenstown-Lakes District Council (QLDC). The aim was “to ensure that the Council has a robust and defensible economic foundation on which to build the strategic direction of the District Plan.”

The requirement was to assess the data, methods, and analysis used by McDermott Miller Ltd in association with Allan Planning and Research Ltd (MML) and in doing so to challenge, if appropriate, the thinking underlying the review. An iterative approach was required to the extent that as questions or issues were identified they were conveyed to the authors and in most cases resolved to the satisfaction of report authors and the reviewer<sup>3</sup>.

## 1.2 Approach to the Peer Review

A peer review is an independent assessment of a piece of work, and is limited by the same issues that constrain the scope of that work. These include terms of reference, timeframe, and budget (and therefore resources brought to bear). Terms of reference restrict the issues the original commission can consider to those the client deems most significant at the time of commissioning. The timeframe determines the information available to inform analysis and may limit the capacity to access some information. All these matters need to be recognised in a peer review.

However, such constraints should not justify inappropriate conclusions. While an obvious objective of a peer review is to ensure that the work has been undertaken to an appropriate standard another may be to determine whether the conclusions are reasonable regardless of any issues that might arise with respect to how it was executed.

The approach to this peer review has been to:

1. Evaluate the overall approach,
2. Assess individual methods of analysis,
3. Appraise the assumptions adopted,
4. Consider the reasonableness of the conclusions reached, and
5. Consider the appropriateness of the proposed policies.

This review is based primarily on the material contained in the MML/APR draft report with limited reference has been made to preceding planning documents or additional material.

An iterative approach has been adopted through which each section of the business zones review was summarised and issues, questions of procedure or fact, and matters of interpretation raised with the authors. The summaries were intended to identify the key findings and conclusions of the analyses and ensure that reviewer’s interpretation aligned broadly with that of the authors. The matters raised were those for which clarification was required or which the reviewer thought might justify further consideration. In some instances the authors made minor modifications to the report in response; in others differences in understanding were resolved; in yet others differences in interpretation stand.

Finally, the authors commented on a draft of this review. The conclusions contained within it, however, are based on the independent opinions of the author.

---

<sup>2</sup> Prepared by McDermott Miller Strategies Ltd in association with Allan Planning and Research Ltd, November 2013

<sup>3</sup> The author of the review, Philip McDermott was a principal with Richard Miller (currently principal of McDermott Miller Ltd) in McDermott Miller Group Ltd between 1987 and 1992. They have had no commercial or professional association since McDermott Miller Group was dissolved in 1992.

A short discussion of the study terms of reference (TOR) and how they are reflected in the MML report is presented below. The outcomes of the review of each section are reported in Section 2. The conclusions from a systematic assessment of the review are presented in Section 3, followed by a discussion of their implications from the reviewer's perspective.

### 1.3 The Terms of Reference

The Request for a Proposal was issued in response to the proliferation of zoning and resource consents for commercial activities, including consents for out of zone retailing, based on variable analysis and limited consideration of relevant strategic issues. Lack of an overarching policy framework and piecemeal development of new zones has limited the ability of the council *"to sustainably manage commercially zoned areas"*. It specified that the project was to review the capacity of existing commercial zones and develop a policy structure *"to enable more effective management and integration of these zones"* as part of the Queenstown District Plan review.

Project objectives focused on:

1. An understanding of the capacity of current zonings, capacity required for the next planning period, and the risk of *"dispersal of retail and commercial activity adversely affecting key areas such as town centres or creating infrastructural or economic inefficiencies"*;
2. Providing the quality of information required to inform the plan review and to guide the appropriateness of private plan change applications for commercial zoning or out of zone commercial activity consents;
3. Identifying a *"possible methodology to link existing commercial zones and subzones into overarching objective/policy framework"*;
4. Undertaking *initial* stakeholder consultation;
5. Developing *"developing strategic and policies for the sustainable management of commercial/industrial areas"*.

The following key issues (or position statements in some instances) were identified in the terms of reference (TOR) to be addressed for the zone strategy development:

- A community desire to retain the town centres of Wanaka and Queenstown as the *"heart of the District"*;
- *"The vibrancy and vitality of town centres can be adversely affected by retail bleed"*;
- Avoiding *"the creation of new mixed use 'town centres' to the detriment of existing centres"*
- Zoning is a method for limiting commercial activities that generate higher adverse impacts;
- Commercial zoning can place particular demands on infrastructure;
- Absence of an *"over-arching policy structure for commercial activity providing guidance on the purpose, role or location of commercial zones"*;
- The risk that *"over-provision of commercial land leads to inefficient use of infrastructure while affecting 'the vibrancy or viability of existing areas'"*;
- There may be a need for mechanisms for staging additional commercial zoning.

The report was required to include a draft Section 32 report and draft plan provisions.

The TOR, including project objectives, are relatively wide ranging and ambitious, seeking information about the configuration and adequacy of current and future capacity, a structure for interpreting that information, for strategy development, policy writing and the preparation of draft plan documentation. The scope covers town centres, retail, commercial, and industrial activity, although the key issues appear to place the emphasis on retail activity.

In the key issues the terms of reference introduce expectations and assumptions which in some respects constrain the scope for explanation and strategy development, advancing the view that retail development elsewhere causes a loss of vibrancy and vitality in town centres, and the role of

zoning in limiting such impacts. It flags the role of zoning in managing the relationship between land use and infrastructure development and the use of staging as a means of mediating over-supply.

### **1.3.1 Has the Report Met the Terms of Reference?**

As a starting point, it is useful to identify where the objectives contained in the TOR are met in the report. In general terms the report has met the TOR requirements identified as Project Deliverables:

Part I, 3 *Spatial Economy* in the MML report addresses TOR Deliverable Part 1 *Review of existing Commercial Zones*

Part II, 4 *Economic Growth Scenarios* (MML) addresses TOR Deliverable Part 2 *Updated Commercial Needs Assessment for Queenstown lakes District* and Part 3 *Initial consultation with key stakeholders/developers*.

Part III *Evaluation of Development Options* (MML) covers TOR Part 4 *Develop draft Commercial Zoning Strategy*, with MML Chapter 7 *Towards a Zoning Hierarchy – Queenstown Lakes District plan* covering possible policies and “section 32 considerations”

However, the MML report is information-dense and deals at some length with the economic conditions driving retail and business demand for capacity. Consequently, connections between the different components of the review are not easily made. Nor are the responses to the detailed elements of the TOR easily found.

*It is recommended*, therefore, that a shorter “narrative” document be prepared summarising analyses, conclusions and connections between them (through references to the relevant sections and subsections in the principal report), relating these to the project objectives and key issues identified in the TOR.

## 2 Review

This section summarises the main issues identified or conclusions arising from successive sections of the business zones review as interpreted by the reviewer. Each summary is followed by discussion of those matters identified for further consideration. This material was prepared initially in the form of memoranda and discussed with the authors prior to incorporation in the current report and subject to some modification as a result. The views remain those of the reviewer.

The focus is on Queenstown where the major and most immediate issues lie. The principles that emerge apply to Wanaka although the underlying issues do not appear to be as urgent there.

### 2.1 Section 1 – Introduction

#### 2.1.1 Key Points

The main issues addressed were the need to cater for growth in the District plan while dealing with the risk of an oversupply of commercially-zoned land in Frankton which could undermine the role of the Queenstown town centre. Given that the town centre is the heart of district, regional, and national alpine tourism this in turn threatens the growth of the visitor industry, a threat that may be compounded by physical constraints on town centre expansion.

The review focuses on retailing as a key to centres development. Traditionally retail planning is based on central place theory. This illustrates how differences in the size of catchment required by different types of goods and services lead to the spatial organisation of retailing (and services) in a hierarchy of centres. More specialised goods cluster at the centre of more extensive catchments relative to less specialised goods and services. Less specialised (convenience) goods are purchased more often and consequently serve smaller catchments from smaller centres nested within higher order catchments. Collectively, this manifests itself in systematic functional and scale differences among centres distributed in a regular and predictable manner.

But this is a *theoretical* construct that is modified or over-ridden by the physical and human geography pertaining to any particular locality, by historical circumstance, and by changes in the modes and methods of service and goods distribution. An obvious example of the latter is the rapid evolution of logistics technology late in the 20<sup>th</sup> century coupled with the increasing reach of international retail brands, outlets, and investors. Together with advances in IT these result in a wider dispersal of outlets and increased accessibility to goods and services across centres, reducing the primacy or dominance of the central place.

MML also points out that new forms of retailing (Large Format Retailing for example, and more recently online shopping) and increased personal mobility impinge on the theoretically ideal distribution of shops and centres.

#### 2.1.2 The Approach Adopted

The approach is one of examining the demand for and supply of commercial capacity (floorspace and land) associated with scenarios describing different growth paths in QLDC. One extrapolates recent growth (the status quo); others are the Statistics New Zealand (SNZ) medium population projections and a QLDC variant on this, while three economic scenarios are driven by differing assumptions about tourism growth.

By developing several scenarios the study goes beyond more conventional approaches which rely heavily on medium SNZ population projections. The economic model developed by MML (under a separate commission) translates the output that might be expected from different levels of visitor and resident spending into alternative projections of direct and indirect output and demand for additional labour, which in turn drives growth in population numbers and consequently household spending and retail floorspace and land demand, and additional floorspace and land associated with increased employment in other sectors.



### 2.1.3 Appraisal: a conventional approach with provision for diverse outcomes

The approach reflects conventional practice in policy analysis, although in this case the introduction of tourism growth scenarios provides insights into just how much the district's economic fortunes will influence demand for business land. This improves on the usual practice of basing future retail and commercial capacity demand estimates solely on population projections based on cohort ageing and extrapolating past migration trends without considering the economic forces that will drive outcomes through their impact on local growth and population movement<sup>4</sup>.

Reference to central place theory as an organising framework is also consistent with other policy work in this field. The reference to changing retail practices is important, though, as it leads the analysis away from dated theoretical constructs to the realities of modern retail and commercial development. These reflect the joint impacts of highly mobile consumers, international supply chains, the diffusion of chain stores which breaks down dependence for centrality among higher order retail and service providers, the emergence of LFR and yard-based retailing, and the distinctive physical and historical geographies of settlement in different localities. The last-mentioned informs the discussion of economy and land use in Section 2 of the MML report in terms that reflect the distinctive Queenstown context.

## 2.2 Section 2 - The District's Economy

### 2.2.1 Key Points

The QLDC economy is distinctive given that tourism accounts for 35% of QLDC output, almost four times as much as it does nationally (8.6% of GDP). The significance of tourism goes beyond its role in shaping the local economy though: Queenstown is "a major part of New Zealand's tourism industry".

Tourism dominates employment, although during the past decade growth until 2008 was stronger in sectors unrelated to tourism. Subsequently, the tourism-related and tourism-characteristic sectors recovered<sup>5</sup>, accounting for 57% of employment by 2012. Australian and domestic visitor nights increased throughout the period (although with a check in Australian numbers in 2011) while international numbers fell after 2008 and only recently began to recover.

The business zones review concludes that given the pervasive role of tourism in the QLDC economy and the district's competitive advantage in the sector additional investment in strengthening it is likely to give greater returns than investment in other industries (p9).

### 2.2.2 Discussion

While tourism is the district's principal basic industry (a "basic industry" is one that generates income within the district by catering for demand that originates outside it) and recognition is given to the potential role of education as a source of growth, consideration might also be given to the role of immigration. To the extent that the attributes of an area that attract leisure visitors also attract lifestyle residents (people whose housing choice is not determined primarily by employment considerations, mainly from elsewhere in New Zealand), their respective consumption profiles should jointly support demand for and investment in goods and services that will add to QLDC's appeal in both markets.

A number of regions (such as Gisborne, Taranaki, and the Bay of Plenty) actively promote lifestyle advantages as part of their economic development strategies. Lifestyle migration differs from

---

<sup>4</sup> Adopting SNZ (medium) household projections uncritically as an input in retail modelling (and in other planning analyses) obscures their uncertainty and variability, ignores the difficulty of forecasting the key components (the demand for labour and consequent migration), and under-estimates the impact of local context and the conditions favouring growth or decline. Conventional analyses rarely address the consequences (or costs) of policies based on significant over- or under-projection.

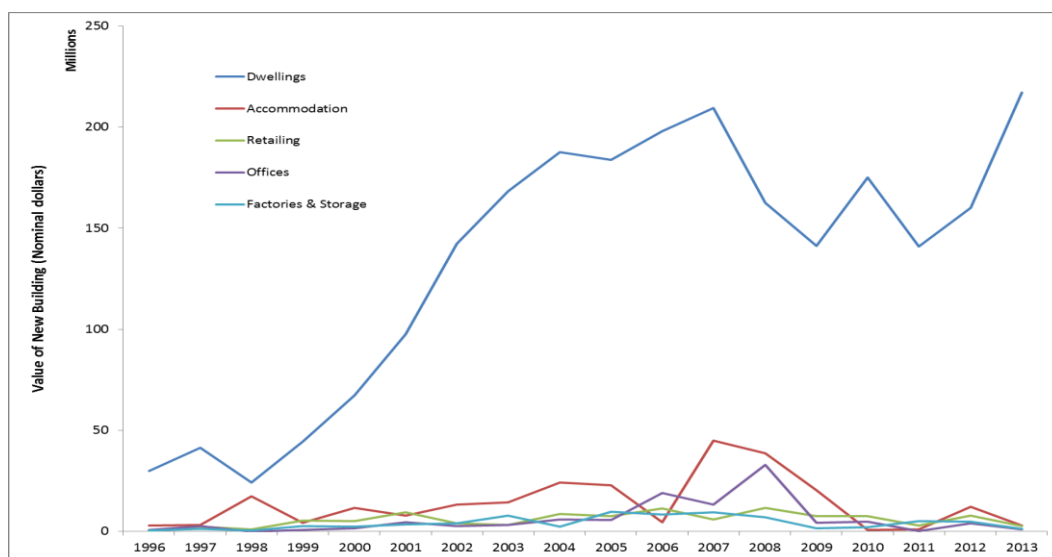
<sup>5</sup> As allocated in the Tourism Satellite Accounts 2012, Statistics New Zealand

vocational immigration, the latter being fuelled by the expansion of labour demand (associated in QLDC primarily with the growth of tourism which is an intrinsic component of the MML model). Lifestyle immigration introduces additional demand into the district, although given a reliance on fixed incomes, the growth of retirement or near-retirement component in the lifestyle category may not lift average household spending so much as change its composition and consumption patterns.

Both forms of migration will be reflected in residential construction and associated expenditure. Between 2001 and 2006 the number of dwellings in the district increased by 529 a year (5% p.a.). This fell to 406 between 2006 and 2013 (3.1% p.a. based on December 2013 Census results), a fall that may help to explain the increased role of tourism in the second part of the decade.

While residential development has dominated construction, this declined after 2006 as investment in office and accommodation capacity increased. This cycle appears to have reversed with consents for dwellings lifting again recently.

**Figure 1: Value of Consents for New Buildings, QLDC 1996-2013**



Source: Statistics New Zealand

With the publication of detailed 2013 census results it may be possible to differentiate between vocational and lifestyle immigration, and to determine their relative contributions to QLDC growth.<sup>6</sup> At this stage it is sufficient to recognise the possibility that lifestyle-based growth is reflected in the migration assumptions underlying SNZ population projections. To the extent that it does drive economic development, lifestyle migration will reinforce the importance of a quality physical and built environment as a condition of growth in the district.

### 2.2.3 Appraisal: Tourism as a strategic priority for development

Recognising the QLDC economy's heavy dependence on tourism is central to estimating future land use requirements. Suggesting that the most likely and effective path to growth for the foreseeable future is through expanding tourism is logical. This is not to deny the prospects for start-up industries or the expansion of the food and beverage sector, for example, but the weight of numbers and momentum associated with tourism make it far more likely that the major prospects through to 2031 lie with it. This also makes it a sensible strategic option for economic development rather than

<sup>6</sup> Recently released data (10/12/13) suggests that vocational immigration dominated growth between 2006 and 2013, with 50% in the school and family raising ages (30-44), 20% of "mature families/advanced career" age (45-59); and 27% in the group most likely to be attracted for lifestyle reasons (60years plus). The tertiary education/early career group (16-29) declined slightly.

relying simply on lifestyle migration or speculative possibilities in other sectors as a basis for land use planning and infrastructure investment.

In practice, this priority is reinforced because a buoyant local economy built on comparative advantage in tourism lifts prospects for other basic activities as well as services. Aiming to diversify and lift the quality of the tourism experience that already underpins QLDC growth is a necessary step in the quest for a more diversified and dynamic economy. Tourism is already a source of entrepreneurship and innovation in QLDC, creating a degree of national and international leadership in alpine, outdoor, and adventure tourism. It is important to future growth that this leadership is maintained, broadened, and diversified through, as MML suggests, a focus on the quality of the tourism product and emphasising “high end” markets. The higher of the two economic development scenarios reflects the sorts of gain that might be made if this can be done well.

## 2.3 Section 3 – Spatial Economy 2012

### 2.3.1 Key Points

Queenstown Bay Census Area Unit (CAU) dominates employment in QLDC. Wanaka operates as a largely independent albeit subordinate retail catchment.

Queenstown town centre has 40,000 m<sup>2</sup> of retail and related activities, (covering grocery, comparison, hardware shopping, restaurants cafes and bars, personal and household services, health services, automotive services, and petrol stations) and 28,000 m<sup>2</sup> of accommodation, leaving around 78,000m<sup>2</sup> for other commercial activity. Gorge Road, also within Queenstown Bay CAU has 16,570m<sup>2</sup> of retailing and associated activity and 35,430 m<sup>2</sup> of other commercial activity.

A number of sites are planned for commercial development in the Frankton area, several of which have been consented (Figure 2). These include:

- Remarkables Park (operative including 27,000m<sup>2</sup> of retail space and 6,3000m<sup>2</sup> other)
- Five Mile (Frankton Flats Special Zone A, consented);
- Frankton Flat B, including Shotover Park DIY Centre (unconsented);
- Frankton Mixed Use Zone (notified but withdrawn); and
- Airport Mixed Use Zone (operative)

There appears to be no expansion planned for retail and related floorspace for Queenstown Bay but potentially 93,000m<sup>2</sup> planned for Frankton Flats, with over a third of this in Remarkables Park (bringing the total there to 53,700 m<sup>2</sup>) and the balance spread across Shotover Park, Five Mile, and Frankton Flats Zone B.

On the basis of comparisons with places like Hastings and Kapiti Coast *“it seems unlikely that the household market will be sufficient to support retail development on the scale envisaged by developers”* (p34). If developers’ intentions are realised *“Queenstown town centre would no longer be the principal centre for retailing”* (p35)

In a separate analysis of currently zoned vacant land the report identifies 36ha committed to retail including tourism-related retail development. Of the balance of 41ha, 33.6ha is zoned industrial and just 4.7ha zoned non-retail (commercial) business land.

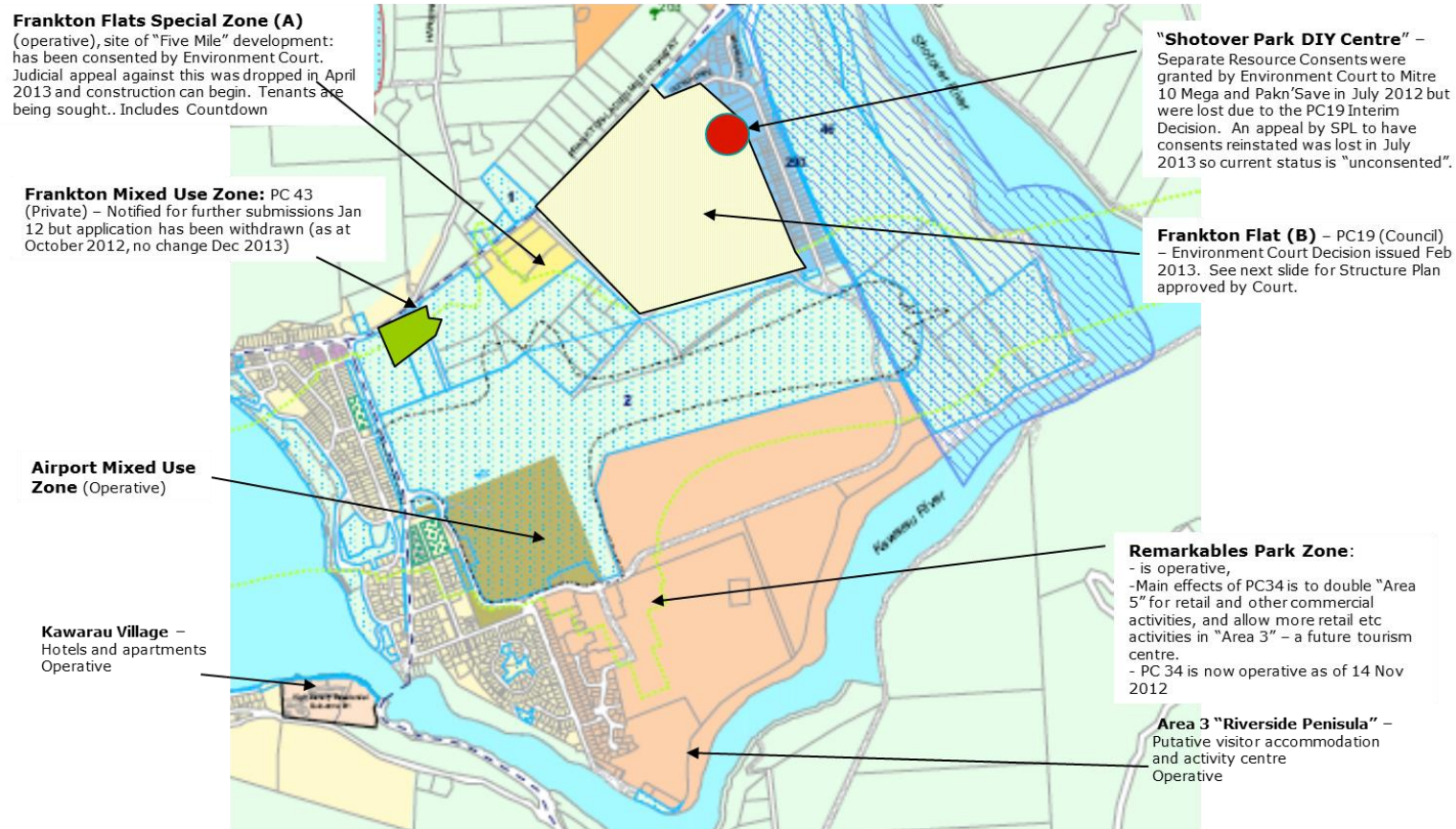
### 2.3.2 Discussion

Further information was supplied by MML outlining progress in planning for commercial land in the Frankton area (Figure 2). The conclusion that existing commitments and intentions for further zoning and development of commercial land in the Frankton area would be excessive if realised is reasonable.

It is also agreed that for the purpose of this analysis, Wakatipu-Arrowtown and Wanaka *“can be regarded as essentially separate catchments for retail planning purposes.”* (p4).

Figure 2:

## Frankton Flats Plan Changes and Resource Consents Status updated to December 2013



Copyright: McDermott Miller Limited 5 December 2013  
Source: Base Map Queenstown Lakes District Council District Plan, overlay and notes by MML

However, MML concludes that *“if developers’ intentions for retail expansion on Frankton Flats are realised, Queenstown town centre would no longer be the principal centre for retailing”* (p35). The issue, though, is whether these expectations will be realised over -- or beyond -- the planning period. It is difficult to see Frankton appealing as an appropriate location for high-end, high productivity retailing rather than maintaining its focus primarily on large format and some convenience retailing.

Whether or not -- or how far -- over-development in Frankton might undermine the town centre’s combined civic and commercial role as the centre of QLDC or its role as the iconic heart of New Zealand’s alpine tourism will depend as much on the quality of development that takes place -- and is allowed to take place -- in and around the centre as on what happens in Frankton. Apart from anything else, the town centre is better placed relative to the distribution of the population in Wakatipu Basin and can be expected to retain a strong convenience role, as well as increase its specialist retail role.

Even if the weight of retailing were to shift further towards Frankton, particularly retailing oriented towards the local market, this need not undermine the wider role of the town centre, and could be to its advantage. Large format and yard-based retailing, for example, can reduce the intimacy and sense of place of a centre like central Queenstown. On the other hand, the location of such outlets on the edge may increase the prospects for specialist retailing and service to consolidate in the town centre, adding to the sense of place and activity.

If all developments consented or proposed were to proceed in Frankton, the failure of one or more may be more likely than a decline in the role of the town centre. The resulting sporadic development will potentially have negative impacts on the urban landscape in a gateway locality.

### **2.3.3 Appraisal: Distinctive centres, different policy responses**

The MML report highlights the distinctive roles of the town centre and Frankton in Queenstown’s development, the former as the civic and commercial centre of the district and as a key New Zealand tourism destination, the latter as a mixed use commercial area attracting large footprint retailing activity. The challenges that the community faces are easing constraints on development of the former, managing development in the latter in a manner which minimises the possibility of poor quality environmental or economic outcomes (for example, by way of business failures or underutilised infrastructure), and does not rely on the transfer of businesses from one centre to as a basis for achieving the viability of another.

## **2.4 Section 4– Economic Growth Scenarios**

### **2.4.1 Key Points**

Stakeholder consultation confirmed the significance of tourism and an expectation that diversifying and increasing the quality of the tourism product is the most appropriate way to promote local economic development. This means *“improving the quality of accommodation, retail and services in the Queenstown centre/CBD”*, while acknowledging that it is not currently *“financial”* to build new hotels in Queenstown. There is support for a conference centre *“provided it is big enough and classy enough”*. A distinction is made between the CBD as the centre of tourism demand and Frankton Flats as a residential environment.

Demand projections are presented for 2021 and 2031 for Wanaka and Wakatipu-Arrowtown for retail and non-retail commercial land. The latter covers yard-based activity, transport-related facilities, manufacturing, construction depots, wholesale, office, and community land uses. A status quo projection is based on maintaining the QLDC share of national arrivals relative to the national projections and continuation of a moderate (3.5% p.a.) increase in domestic visitors to 2021, both rates halving thereafter offsetting the compounding effect of projecting constant percentage gains.

Business growth is stimulated both by the increase in output required to meet expanded tourism spending and the local multiplier impacts of that spending estimated by sector.



The status quo scenario provides a basis for comparison with three “economic growth scenarios”:

- **Economic Scenario Variant 1:** Airport expansion and marketing double the international visitor growth rate and lifts the daily international visitor spend 5%; Wanaka grows at status quo rate;
- **Economic Scenario Variant 2:** Significant investment in tourism-related developments leads to three times the status quo rate of growth in international visitor nights and a 25% increase in spending per visitor; complemented by a 10% increase in daily domestic visitor spending; Wanaka growth at status quo rate
- **Economic Scenario Variant 3:** Variant 2 but with new hotel and allied investment and direct domestic flights leading Wanaka to experience three times the status quo rate of growth in international visitor nights, with the daily international visitor spend up 15%, and domestic visitor spending up 5%.

The scenarios were evaluated using the MML economic model commissioned by the Council in 2012. The model was peer reviewed by Martin Jenkins (2013), who concluded that “*McDermott Miller have followed standard economic techniques and build on the best available data*” and “*that it is fit for purpose*” (Executive Summary, 1).

Noting that the model draws on exogenous assumptions about changes in demand by sector (in this case based on the six scenarios outlined) Martin Jenkins suggests that consideration “*be given to developing a forecasting model at least for the initiatives that are currently under consideration*”.<sup>7</sup>

The fixed production functions within a regionalised input-output model do not accommodate or illustrate possible economies of scale or changes in technology and their impact on inter-industry relationships. This means that the model is likely to over-estimate projected labour and floorspace requirements, although reductions in leakage associated with expanding local capacity as demand grows may partially offset this. The consequences of any over-estimation of demand in the MML analysis will be to over-estimate the supply of additional floorspace and commercial land required (Table 1, below). Consequently any estimate of over-capacity is likely to be conservative.

**Model Results - Retail Floorspace:** The projected increase in retail floorspace required in Wakatipu-Arrowtown is 24,500m<sup>2</sup> under the Status Quo and up to 76,000m<sup>2</sup> in 2021 under Scenario 2 (and 3). Current developer’s intentions would see an increase in supply of 69,000m<sup>2</sup>, 44,500m<sup>2</sup> more than would be required in 2021 under the status quo, or 24,300m<sup>2</sup> more than required under Scenario 1. Only Scenario 2, based on tripling the national projected rate of tourist growth, would require anything approaching this level of additional retail floorspace.

The demand for additional business land by category is based on applying employee:floorspace ratios for individual sectors to the employment growth generated under the tourism-driven economic growth scenarios. This covers direct, indirect and induced demand for labour calculated through application of the Input-Output module of the Queenstown Lakes District Economic Model. The likely growth in floorspace and land area was calculated on the basis of the increase in employment.

Among other things, this highlighted yard-based activities and transport-related expansion. Projected growth in non-community office activity is limited although under a high growth scenario around 2.5 ha “*of office activity which should be accommodated in an extended Queenstown town*”

---

<sup>7</sup> A general equilibrium (GE) model is suggested as an alternative to support cost benefit and business case analyses. However, this is not considered necessary for reviewing land use requirements and is unlikely to be viable given the paucity and volatility of small area (region or district) data. The absence of a regionalised GE modelling in New Zealand noted by Martin Jenkins (p5) confirms the impracticality of this suggestion.

centre” (P 59). However, “an acute shortage of vacant land zoned Town Centre” means that “the Queenstown town centre zone has to either expand or be redeveloped more intensively, otherwise activities appropriate to the Queenstown Town Centre will have to locate in other zones” (p42).

**Table 1: Growth Scenarios and Floorspace and Land Demand Simulations**

<b>2021</b>	Stats NZ Medium	Status Quo TOTAL	Scenario 1 TOTAL	Scenario 2 TOTAL	Source
Employment QLDC		2,982	5,954	10,412	Table 4.1, Fig. 4.2, 4.7
Retail Demand (\$m)					Figure 4.10
Wakatipu-Arrowtown		161.0	293.0	497.0	
Floorspace m <sup>2</sup> Wakatipu - Arrowtown	29,600	24,500	44,700	76,000	Figure 4.12
Non Retail Land Ha	13.3	17.8	36.0	63.0	4.7.1, Fig 4.14
<b>2031</b>					
Employment QLDC		5,025	18,631	18,631	Figure 4.8
Floorspace m <sup>2</sup> Wakatipu - Arrowtown	45,000.0	39,000.0	71,000.0	135,000.0	Read off Fig 4.12
Non Retail Land Ha	27.0	30.0	61.0	114.0	4.7.1, Fig 4.14

Source: MML/APR

**Land for accommodation** is excluded because of currently low occupancy rates (50%) and the location of most capacity in the high density residential rather than town centre zone. Growth in visitor numbers is assumed to be through an uptake in existing capacity. 80% occupancy could be achieved by 2021 under Economic Scenario 1 and by 2018 under Economic Scenario 2 (and 2031 under the status quo projection). Relying on gains in occupancy to accommodate growth in demand suggests a need to upgrade existing stock prior to advancing new supply which “could involve allocating future expansion ... between the High Density Residential Zone and the (expanded) Queenstown Town Centre” (p64).

**Conclusion** The results highlight the shortage of town centre zoned land, particularly given the need for any development promoting tourism growth to focus there. On the other hand “current plus proposed retail floorspace (m<sup>2</sup> GFA) supply growth in the Frankton Flats cluster grossly outstrips retail floorspace that can be supported by reduction in leakage of spending outside the District and household and tourism growth. Even in 2031 retail floorspace supportable will be only 43% of the proposed supply increment.” (p62).

Options suggested for pursuing high growth aspirations of the sort modelled in Economic Scenarios 1 and 2 include concentrating on tourism intensification (focused on Queenstown Town Centre in the first instance); dispersal of activity based on increasing retail land in Frankton Flats; and diversifying the district’s economic base, although industries that might be developed to achieve the latter were not identified through the consultation (p65).

## 2.4.2 Discussion

Recognition of the importance of tourism to the growth of the QLDC economy suggests that a way needs to found to upgrade existing accommodation and lift the quality of the tourism offering generally, while promoting Queenstown in a way that will boost visitor numbers. Boosting demand and yield (spend per visitor) simultaneously and relying in part on investment in existing, under-utilised capacity to do so will present industry-wide challenges. It is likely to require public and private investment to reinforce Queenstown’s role as an iconic alpine destination, promoting it into new geographical markets and broadening its appeal in existing ones.

Placing the challenge in context, the compound rate of growth in visitor nights from 2001 to 2011 was 1.9% per year, giving rise to a 20% gain between 2001 and 2011. Under the status quo scenario

this is projected to continue at a similar level, giving rise to a 17% increase by 2021. Economic Scenario Variant 1 would see a jump in the growth rate to 2021 to 5.8% a year and a 75% gain in visitor nights, while Economic Scenario Variant 2 would see a 7.2% growth rate doubling visitor nights over the same period. Both are ambitious. And even if the high projection of visitor nights could be achieved, the associated demand for labour would be difficult to satisfy.

It can be concluded that even allowing for gains in productivity both scenarios (and by extension, Economic Scenario Variant 3 with its major boost to Wanaka tourism) represent optimistic outcomes, at least through to 2021.<sup>8</sup>

This reinforces the conclusion that if all developers' intentions or plans were to come to fruition there will be a substantial over-supply of retail and non-retail business land. The demand for retail capacity associated with current plans is a possibility only under the least likely scenario, and even then only after 2025 (Figure 4.12). The existing supply of vacant land would in theory be taken up under Economic Scenario Variant 2 by 2019 and under Economic Scenario Variant 1 by 2025. The status quo suggests it may be exhausted towards 2031. The inference is that there is limited pressure on business land unless there is substantial acceleration in tourism growth.

### 2.4.3 Appraisal: Commercial land – unders and overs

This conclusion might be qualified, however, to the extent that the theoretical supply of business and office land may not correspond fully with availability on several grounds: site quality, suitability, and yield, fragmentation, current owner intentions and price expectations, and access issues. There may well be a case for QLDC to review the quality and capacity of vacant land and to determine what buffer to provide (perhaps 10-20% above projected demand) when making a final determination.

Otherwise, the ambitious nature of the economic scenarios, and in particular the low probability of Scenarios 2 and 3 eventuating, suggest that there is no pressing need for additional business land or retail capacity at the levels currently provided for or under consideration. This conclusion appears robust. Should it prove incorrect in due course it can be remedied reasonably easily at that time. It is therefore appropriate to direct attention to the distribution rather than the quantum of supply. This is done in MML Section 5.

## 2.5 Section 5 – Towards a Centre-Based Development Strategy

### 2.5.1 Key Points

Two spatial development scenarios are proposed, dispersal and intensification. Each is contingent, with an explicit and implicit range of conditions associated with it. The dispersion scenario raises a number of planning challenges, but is presented as an almost inevitable failure of urban design, economic rationality, and competitive response. The description implies the possibility of over-investment, large and often empty structures, and the contraction of retailing, matters that could presumably be addressed through the appropriate planning methods (such as master planning/sequencing, structure planning, and infrastructure investment plans).

In particular the, intensification scenario is aligned with a boost in tourism (\$624m in value added – by 2021 – in Table 5.3). To achieve this substantial investment would be required in product

---

<sup>8</sup> Although MML comments in response that "Scenario 1 is realistically achievable if the throttle of the Airport is relaxed and other investment occurs as indicated in Table 4.2. Growth Tourism Scenario 2 however could be justifiably termed 'ambitious' - it is more of an aspirational target. Satisfying the demand for labour would be a challenge ie it will require considerable investment in 'affordable' housing. This is a matter for further investigation; only if housing issues are insuperable would labour supply be a serious factor limiting realisation of the accelerated growth scenarios".



upgrading, new amenities, and additional accommodation (towards the end of the period). The underlying logic is that the development of tourism will be favoured by planned intensification that enhances, indeed prioritises, the built environment and diversity of the town centre, while protecting the amenity and ambience of Queenstown and its hinterland. The latter may call for some controls over the form of development in the north – including Frankton Flats business and mixed use land – and how it is executed.

### 2.5.2 Discussion

Even if a significant portion of the investment proposed for Frankton Flats takes place – and the analysis in Section 4 raises doubts about the feasibility of development expectations reflected in current plans – it does not necessarily follow that this will undermine the town centre or tourism. One outcome of the contraction of traditional retailing in the centre, whether or not as a result of businesses migrating to Frankton, may be the upgrading of vacated space leading to occupation by higher value activity, including but not limited to retailing. While a failure to reinvest may see short term occupation by lower value – and often innovative – uses, these are often simply transitional as the centre moves towards more intensive, higher value uses. Indeed, the entry of new, often innovative or leading edge activities may be something that can be anticipated more if the centre is subject to competitive pressures than if it isn't<sup>9</sup>.

Incidentally, there is no evidence that the town centre is of a size to benefit from agglomeration economies of the sort cited.<sup>10</sup> Rather, it is likely to benefit from an array of specialist activities covering recreation and entertainment, culture, community and civic administration, retailing and final demand services, as well as the traditional higher order and professional services.

### 2.5.3 Appraisal: Seeking a Balance

Given the current status of plans and planning for Frankton the choice of one spatial scenario ahead of the other is not necessarily the way ahead. However, there is clearly recognition among stakeholders that tourism diversification and development offers the best prospect at present for expanding the Queenstown-Lakes economy, and that the development of the town centre is central to maintaining and enhancing a quality destination.

Table 5.3 in the MML report supports this on several grounds, some of which may be debatable (e.g. agglomeration economies, development impact, and contribution to resilience). The social and environmental benefits cited for urban intensification perhaps need to be tested. Among other things, they all depend on the quality and not just the quantum of development. The report also suggests (in Section 7.5.3) incorporating such wider considerations into the preface of a new Centres Chapter in the reviewed District Plan.

One outcome of a balanced strategy may be greater differentiation between a distinctive leisure-oriented town centre with the advantage of a prestigious address attracting higher order businesses (including retail businesses), while development in the Frankton Flats area takes place primarily in response to the day-to-day needs of the local population and demand for large format retailing subject to environmental constraints.

---

<sup>9</sup> Without being immediately familiar with the town centre, I would expect it to transition to more diverse and potentially innovative uses if some traditional, low productivity retailers vacate it. Such changes in use and competitive pressure should also see some upgrading or reinvestment by existing – or new – town centre landlords and investors in the quality of the built environment.

<sup>10</sup> The sorts of advantage cited by Donovan and Munro (2013) remain largely theoretical; are marginal in nature, can be achieved only with high capital costs for infrastructure and development, and are in any case associated with much larger settlements than Queenstown. Queenstown offers investors other advantages associated with environment and lifestyle, costs, and ease of local movement. Also, with changing business models based on enhanced communications among centres purported agglomeration advantages are weakened.

Apart from impacts on landscape and hydrology, environmental issues in Frankton Flats include the risk of reverse sensitivity impacts associated with businesses and residences in close proximity and with the impact of an existing airport on new activities. This means acknowledging the limited amenity values associated with mixed use which juxtaposes industrial (workshops, wholesaling, distribution depots, and the like) and residential activity (housing, schools, and community facilities) and suggests the need for master planning (if only for infrastructure provision) as a basis for progressing and integrating development there.

## 2.6 Section 6 - Strategic Issues and Initiatives

### 2.6.1 Key Points

This section sets out the role of the CBD as the tourism, administrative, commercial, and employment centre of the district. It identifies threats to the centre: low levels of investment, limited space for expansion, a declining tourist product, and (perhaps as a response to these factors or under pressure from the capacity provided in Frankton) dispersal of functions to other locations.

There is a potential oversupply of household oriented retail development given slower than expected residential growth and relatively low average household spending. It appears that sufficient retail floorspace is provided for two to three times the current household numbers (p78).

The policy issues raised include how to:

- Recognise through the plan QLDC dependence on tourism;
- Sustain the town centre as the principal employment and administrative centre and New Zealand's pre-eminent Alpine resort in a way which ensures continuing tourism attraction;
- Ensure the highest quality of commercial accommodation;
- Foster and sustain the commercial and resident servicing roles of Wanaka town centre, and Frankton flats in a way that complements Queenstown town centre;
- *"ensure retail services distributed among the centres of Queenstown Lakes district in a way which maximises their accessibility to all households and visitors".*

The responses suggested are to (1) focus on deepening and diversifying tourism; and (2) adopt a hierarchy of centres policy, defined as:

- Queenstown town centre, town centre transition zone, and adjacent areas for expansion;
- Wanaka and Arrowtown centres
- Frankton Flats and Remarkables Park developed as an "integrated functional centre".
- Future hotels, office space, restaurants and specialist comparison retailing in and near Queenstown CBD in order to provide a contained centre that is attractive to tourists, businesses and local residents (p.80)

### 2.6.2 Discussion

The prognosis is reasonable and realistic: the community has little choice but to reinvest in tourism simply to maintain current activity levels. Queenstown has the advantage of being the centre of the alpine region which will maintain currency if the quality of relevant infrastructure is sufficient.

Promoting the long-term future of Wanaka as a *"twin international tourism resort"* is also sound in terms of both that town's development and deepening the tourism product within QLDC.

The advantage of tourism-focused strategy includes the fact that modest growth from a large base will have a significant impact in a community already geared to tourism. Diversification within the sector will promote growth, broaden income and employment opportunities, promote entrepreneurship, and hopefully diminish seasonal and cyclical effects. A focus on quality is appropriate for a maturing product as it multiplies offerings to visitors without undermining the basic alpine product. Building on tourism sustains an established beneficial cycle between the concentration of visitors and the spin-off of high-value niche services and products.

### 2.6.3 Appraisal: Questions raised

The New Zealand Alpine product benefits from a strong heart and it is sensible for Queenstown town centre to continue to play that role. However, the threat to role identified with over-capacity at Frankton raises a number of questions.

The first is why an oversupply of commercial land in Frankton Flats should undermine the quality of the town centre? The second is whether “*a hierarchy of centres policy*” is necessary to prevent this outcome? The response offered by the consultants is that surplus land in Frankton creates a competitive environment such that land owners in the area can through the planning process frustrate aspirations for the redevelopment and intensification of the town centre. By enforcing a hierarchy – whereby development at subordinate levels should not be allowed to undermine development at higher levels – it is presumed an orderly (or sustainable, or efficient) spatial arrangement of activities can be achieved.

Other questions include:

- Is embedding the centres planning framework within a hierarchy an effective planning method? Section 1 of the business zones report suggested that the rationale -- central place theory -- may be of diminishing usefulness for explaining differences in the development of centres given changes in the nature of retailing.
- How practical is it, and how effective, to lift the focus on tools for promoting the centre, including urban design, planning rules, civic investment, and other non-statutory methods (e.g., a town centre management association and business improvement district, promotion of festivals and arts, consolidation of sites for redevelopment, etc.) as anticipated. Policies in the District Plan might be designed to support innovation and diversity in the centre rather than reinforcing the status quo.
- How realistic is it to expect that land owners in Frankton Flats might be able to object successfully to initiatives to promote the distinctive role of Queenstown town centre?

## 2.7 Section 7 – Towards a Zoning Hierarchy

### 2.7.1 Key Points

A review of existing planning documents concludes that:

*“In business/commercial/retail terms the District Plan contains highly varied provisions enabling the commercial/retail development of a disparate range of localities, and there is no cohesive overall strategy”.*

Based on a review of actual or proposed practice in Auckland, Wellington, Christchurch, Hastings, and Nelson/Tasman the authors opt for a centres hierarchy as a “*typical planning tool*” through which the district plan is used to “*manage the release of land for new development so as to ensure that centres higher in the hierarchy were not adversely affected [by centres lower in it]*” (p84).

A planning balance sheet exercise (Table 7.1) confirms a preference for concentration based on a centres hierarchy compared with dispersion without a hierarchy, while a second planning balance sheet (Table 7.2) establishes the levels of a hierarchy for planning purposes. The favoured three level hierarchy distinguishes between *district centres* (an expanded Queenstown centre and Wanaka town centre), *suburban or secondary centres* (Arrowtown Remarkables Park, Five Mile/Shotover Park, Three Parks Centre (Wanaka), and eight local centres.

The implications for the District Plan include:

- Reviewing the extent and extension of Queenstown town centre and incorporation of the Gorge Road precinct into the town centre zone, or “*an ancillary frame' functional component*” to the extended TCZ (MML 7.4.4).

- Clarifying other methods to maintain and enhance the functionality of the CBD;
- Managing the growth and change of suburban centres *“so as not compete with the vitality, vibrancy and functionality of district centres”*;
- Evaluating rules to determine *“levels of control [that should] remain for the Council in each centre and consider new rules to manage growth of these centres...”*;
- Considering the *“appropriateness of new rules to manage the growth of the centres and extent of functional diversity”*, and, if appropriate, modifying *“current plan provisions in a way that will protect and/or sustain the importance and functionality of the level one district centres”*.

The balance of Section 7 provides draft material for the centres chapter of the district plan. It also identifies possible rule-based techniques to manage the type and scale of business *“especially retail and office development”*. These might include:

- Use of deferred status to delay inefficient uptake of over zoned land areas;
- Cumulative impact assessments for new large commercial and retail developments *“in conjunction with restricted discretionary rules relating to additional, or total, retail floorspace area in specified zones”*;
- Minimum floorspace rules for new retail activities in specified zones to limit dispersal of specialty shopping across a range of locations;
- Reviewing built environment management provisions within and between zones to ensure that requirements are not distorting development preferences;
- Possibly linking commercial floorspace development with progressive provision of permanent residential capacity at Remarkables Park;
- Other detailed modifications to be identified of the base issues within existing provisions.

Non-statutory methods are also suggested. These include an economic strategy that recognises the importance of Queenstown and Wanaka to the District’s growth, expanding the Queenstown town centre to sustain more intensive tourism development, shaping Destination Queenstown marketing to reflect the roles of the centres, supporting funding of key tourism infrastructure, programming infrastructure investment to reflect the centres hierarchy, and promoting events in district centres.

### 2.7.2 Discussion

The principle conclusions of the business zones review appear well founded: the status of Queenstown town centre is central to the future of tourism and critical to the development of the District, and ad hoc development planning in Frankton Flats threatens substantial over-zoning of retail and commercial land which threatens orderly land use development and service provision in Queenstown as a whole.

A policy framework that recognises and accommodates the functional differences and strengths of the two centres (to the extent that Frankton is a “centre”) appears a reasonable response, alongside other statutory and non-statutory measures that encourage investment in the centre and reflect and builds on QLDC’s advantage as a major tourism destination. There are also no doubt grounds for seeking to more actively moderate development in Frankton to avoid the environmental, infrastructural, and social consequences of over- or too-rapid a rate of development.

However, these consequences are not evaluated in the report. An assessment of the impacts of premature development in these terms may provide stronger grounds for regulating development within Frankton than reliance on a hierarchy to mediate relationships among centres.

### 2.7.3 Appraisal: Policy options

#### Use of a retail hierarchy

Definition of a retail hierarchy rather than a simple centres-based framework to provide the planning framework can be contested on the following grounds:

- The definition of a hierarchy is arbitrary and fixed at a point in time. Typically, it is used to describe relativities among centres in a single “urban system” (metropolitan area, city, or large town). In this case, though, it incorporates dispersed and disparate settlements and centres, assigning Wanaka to the same level as Queenstown (implying that it is an alternative site for higher order functions) and labelling the discrete settlement of Arrowtown as “suburban”;
- Locking centres and activities within them down according to a particular model of functionality can distort investment by increasing the costs of entry for new businesses and reducing competitive pressure on existing businesses (and landlords), and thereby reducing the need to reinvest in centres at the top of the hierarchy;
- Maintaining a hierarchy requires the use of detailed rules that are difficult to define, cost, implement, and monitor and which may have unforeseen or unintended negative consequences. These include policies likely to discourage or suppress investment in new and innovative forms of retailing generally, and reducing the incentive for reinvestment and intensification in the centre (for example: *“ensure that higher-order activities such as office, specialist retail, visitor accommodation and specialist tourism-based activities, are subject to provisions that will ensure that, by their scale or character, a Suburban Centre does not undermine or detract from the viability, vibrancy and/or effective economic functioning of a District Centre”*, MML p.99);
- This in turn will reduce competitive pressure at upper levels of a hierarchy limits opportunities for new forms of enterprise that accompany the refurbishment and reuse of ageing structures, reducing the potential responsiveness of upper level centres to changes in market circumstance.
- Increasing the cost of investment by lifting compliance and operating costs, the latter through arbitrary size constraints or diminished accessibility is likely to reduce investment to below what would otherwise take place and consequently lower economic welfare.

Any externalities associated with developing excessive or premature capacity in Frankton by way of adverse amenity and landscape impacts or infrastructural and fiscal impacts (including the imposition of long-term maintenance and depreciation commitments on ratepayers from under-utilised infrastructure) provide a well-grounded basis for imposing staging conditions or limiting the scale and intensity of activities over and above concerns about its impact on the shape of a retail hierarchy spanning the district.

The impact on transport may be another reason, given that figures provided by MML confirm the greater accessibility of the town centre to the majority of Queenstown residents (Table 2). While the population balance will no doubt shift to the north with the eventual uptake of residential capacity in Remarkables Park, Frankton Flats Special Zone (B), Quail Rise and Jacks Point this is unlikely during the planning period and will not diminish the absolute number of residents for whom Queenstown centre is the closest retail and workplace destination.

The rules pertaining to the centre may justify review to ensure that there is sufficient flexibility to encourage diversity of land uses and ease of movement. Urban design issues may need to be reviewed, particularly the expansion of the central zone boundaries and its effective extension into Gorge Road. Outside the statutory framework, the council could explore ways to encourage the consolidation of redevelopment sites and support strategic tourism projects.

**Table 2: Population Distribution**

**Census usually resident population counts showing trends in accessibility of Centres to Population**

				Av Ann % Growth		Share of Ward			Share of District		
	2001	2006	2013	2001-06	2006-13	2001	2006	2013	2001	2006	2013
Central Queenstown (Town Centre, Gorge Road, High Density Res)	3,987	5,031	5,496	4.8%	1.3%	32.2%	31.6%	28.6%	23.4%	21.9%	19.5%
Sunshine Bay/Arthurs Point	2,142	2,667	3,165	4.5%	2.5%	17.3%	16.7%	16.5%	12.6%	11.6%	11.2%
Outer Wakatipu	813	930	1,245	2.7%	4.3%	6.6%	5.8%	6.5%	4.8%	4.1%	4.4%
<i>Subtotal "Queenstown Town Centre more accessible"</i>	<i>6,942</i>	<i>8,628</i>	<i>9,906</i>	<i>4.4%</i>	<i>2.0%</i>	<b>56.1%</b>	<b>54.1%</b>	<b>51.6%</b>	<b>40.7%</b>	<b>37.6%</b>	<b>35.1%</b>
Frankton (incl Remarkables Park)	1,641	1,782	1,827	1.7%	0.4%	13.3%	11.2%	9.5%	9.6%	7.8%	6.5%
Frankton East (incl Glenda Drive)	153	396	639	20.9%	7.1%	1.2%	2.5%	3.3%	0.9%	1.7%	2.3%
Kelvin Peninsula/Jacks Point	849	1,152	1,308	6.3%	1.8%	6.9%	7.2%	6.8%	5.0%	5.0%	4.6%
<i>Subtotal "Frankton Flats Cluster more accessible"</i>	<i>2,643</i>	<i>3,330</i>	<i>3,774</i>	<i>4.7%</i>	<i>1.8%</i>	<b>21.4%</b>	<b>20.9%</b>	<b>19.7%</b>	<b>15.5%</b>	<b>14.5%</b>	<b>13.4%</b>
Arrowtown	1,692	2,148	2,445	4.9%	1.9%	13.7%	13.5%	12.7%	9.9%	9.4%	8.7%
Wakatipu Basin/Lake Hayes	1,089	1,830	3,060	10.9%	7.6%	8.8%	11.5%	15.9%	6.4%	8.0%	10.8%
<i>Subtotal "Similar accessibility to both"</i>	<i>2,781</i>	<i>3,978</i>	<i>5,505</i>	<i>7.4%</i>	<i>4.8%</i>	<b>22.5%</b>	<b>25.0%</b>	<b>28.7%</b>	<b>16.3%</b>	<b>17.3%</b>	<b>19.5%</b>
<i>Total Wakatipu/Arrowtown Wards</i>	<i>12,366</i>	<i>15,936</i>	<i>19,185</i>	<i>5.2%</i>	<i>2.7%</i>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>72.6%</b>	<b>69.4%</b>	<b>68.0%</b>
Wanaka	3,330	5,040	6,474	8.6%	3.6%	71.2%	71.9%	71.7%	19.5%	22.0%	22.9%
Rural Wanaka	1,344	1,968	2,559	7.9%	3.8%	28.8%	28.1%	28.3%	7.9%	8.6%	9.1%
<i>Total Wanaka Ward</i>	<i>4,674</i>	<i>7,008</i>	<i>9,033</i>	<i>8.4%</i>	<i>3.7%</i>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>27.4%</b>	<b>30.5%</b>	<b>32.0%</b>
<b>Total Queenstown Lakes District</b>	<b>17,043</b>	<b>22,959</b>	<b>28,224</b>	<b>6.1%</b>	<b>3.0%</b>				<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Statistics NZ compiled by McDermott Miller

In the case of Frankton Flats an overarching master plan may be called for which integrates existing structure, transport, and service plans, linking the rate of land development to the rate of infrastructure development, seeks to rationalise land uses across titles (and across the airport runway!), applies urban design and landscape principles appropriate for a mixed-use suburban area, and provides rules for the release of land in an orderly manner.

Planning for this area could aim to: set out a sequence for development tied back to a long-term infrastructure plan<sup>11</sup>; minimise the risk of reverse sensitivities; minimise conflict between light industrial and residential uses; manage traffic movements; and preserve the quality of the wider landscape by a sensitive approach to the built environment.

---

<sup>11</sup> Provision might be made for individual investors to depart from the development sequence provided that a formula can be established that identifies the costs of doing so and requires the developers to meet those costs.

## 3 Evaluation

This section provides an overview based on the preceding review and discussion with MML.

### 3.1 Overall Approach

The report documents a sound approach to policy analysis which is appropriate for the task; namely assessing the impact of different growth trajectories on the demand for commercial land by the application of an input output-based economic model utilising coefficients of turnover:floor space for retailing and land area per employee (for non-retailing). The approach differs from common approaches to the estimation of future land needs for commerce to the extent that scenarios of different levels of tourism growth are used to explore variations in economic performance rather than relying simply on demographic projections.

The scenarios used (six in total, including the usual Statistics New Zealand medium population projection and the Queenstown Lakes District Council variant on that) deal with continuation of recent trends (the status quo which implies slowing growth over time) or higher levels of growth.

### 3.2 Methods of Analysis

The economic model employed to translate projections of economic activity and population into sector production and employment is appropriate for the task. It has been evaluated by consultants Martin Jenkins, who concluded that technically it is fit for purpose.

Minor concerns were raised about fixed production functions and inter-industry relationships (i.e., productivity and the configuration of intermediate transactions are not projected to change over the forecast period). To the extent that future demand may have been overestimated the conclusion that current development intentions are excessive is strengthened.

Applying economic analysis to policy development that will influence urban form through the provisions of the district plan highlights the challenge of aligning policy with the evidence base in the face of uncertainty, in this case regarding the potential level of growth. The use of spatial scenarios and consideration of alternative scenario configurations is a suitable response to this and leads to adoption of a hierarchy as the appropriate policy framework.

The adoption of planning balance sheet methodology is defensible, although the weightings applied to many of the attributes incorporated are inevitably subjective. A commentary on the basis for scoring increases transparency, supports risk assessment (i.e. enables consideration of the consequences of an inappropriate weighting on outcomes), and enables the reader to consider their relative significance and the veracity of the underlying rationale in each case.

### 3.3 Assumptions

The detailed data, sources, and assumptions underlying the tourism projections, the predictive economic model, and floor space and land area modelling were supplied in confidence by MML for the current review. These have been considered and compared with estimates from other sources where appropriate and are considered to be satisfactory for the task.

The sources behind the predictive economic model were previously supplied to reviewers Martin Jenkins in July 2013. These covered economic forecasts, national, regional and local tourism data and national tourism forecasts, the transaction tables, multipliers, and QLDC technical coefficients provided by Butcher Partners Ltd (used in the economic model), various economic and industry indicators, and SNZ demographic data. The information brought to bear was comprehensive.

The information supplied for the current review included a synopsis of **assumed retail development** as follows:



- Large format (and other) retail development in an expanded (by Plan Change 34) Activity Area 5 of Remarkables Park Special Zone (based on communication from Remarkables Park Ltd).
- Development of visitor-oriented cafes, boutique retail, accommodation and other visitor attractions/facilities in Activity Area 3 (“Riverside Peninsula”) of Remarkables Park Zone.
- Development of the Five Mile Retail Centre, including a Countdown Supermarket, a department store and specialist retailers, commercial offices and visitor accommodation (as consented).
- Eventual expansion of Five Mile Retail Centre onto Activity Area C1 of Frankton Flats Special Zone (B).
- Development of the proposed Shotover Park retail centre on Activity Area E1 of Frankton Flats Special Zone (B) with the first stage being a Pak'n'Save supermarket and Mitre 10 Mega store to be followed by other “home” stores.

In the absence of concrete proposals for retail development no allowance was made for an increase in net floorspace in the town centre and Gorge Rd areas.

The assumptions of **turnover per square metre** used for estimating retail floorspace requirements (divided between supermarkets and other retailing) are sustainable and well within the range of industry performance and estimates. Existing and planned **land requirements** for developments in Frankton are used to estimate a floor area ratio (for conversion of retail floorspace demand to land area required) which also aligns with prevailing FARs elsewhere.

Provision has been made for the **leakage from household spending** to decline from a current figure of 37% contained in evidence provided by Market Economics to the Plan Change 4 hearing, to 15% in the future. This reduction is based in part on the assumption that the Five Mile retail development plus retail development on Area 5 of Remarkables Park will introduce new LFR and special retail brands to Queenstown, leading to a significant reduction in leakage. A reduction in purchasing outside the district risks of this extent risks erring on the side of over- rather than under-estimating future demand for retail floorspace. Even so, the projections indicate a significant mismatch between developer intentions and likely demand unless substantial tourism-based growth (of the order of that illustrated by Economic Scenario 2) is achieved.

Future **employment** has been estimated in several ways. The first simply applies the labour supply-driven approach applied by Hill Young Cooper (2006) to SNZ and QLDC demographic projections. Floor area per employee ratios have been used to estimate the demand for additional floorspace (and consequently land) for commercial use assuming more or less constant levels of labour force participation without regard to the demand and investment required to sustain it. The second extrapolates historical economic activity by analysing and projecting commercial building consent data. The third focuses on labour demand by projecting employment associated with the tourism growth (including the intermediate and induced effects of increased local expenditure by visitors).

The latter two approaches are preferred because they deal with employment demand and consequently vocational (work-related) migration. The third approach is preferred to the second insofar as it draws on information on the dominant basic sector in QLDC, a national tourism baseline, and the structure of the local economy. In other words, it incorporates the greatest amount of information into the forecasts. The planning issue then is one of estimating the probability of achieving different levels of tourism growth or, conversely, the prospect of lifting tourism growth rates through a combination of planning, urban design, direct investment and other measures.

The consequences of the different rates assumed in the tourism scenarios are clearly demonstrated by the MML analysis (Figures 4.12 to 4.16, pp.55-58). These confirm that only very high growth rates in tourism might sustain the demand for land associated with current plans and intentions, a conclusion that is based on conservative assumptions to the extent that they err on the side of over- rather than under-estimating the associated demand for retail and commercial land.

### 3.4 Conclusions

The report incorporates the results and conclusions from a series of analyses, relying on a combination of commentary and the use of planning balance sheets to achieve this. The primary conclusion, that plan change requests in recent years have resulted in *“an oversupply of commercial and retail zoned land on the basis of a relatively dispersed pattern, particularly in the Frankton area”*, is clearly established and soundly based.

Indeed, this conclusion appears conservative. In the reviewer’s opinion the assumptions generally favour a higher rather than a more likely lower estimate of future demand for retail capacity. In addition, quantifying the issues in Section 1 regarding alternative forms of retailing including the impact of web-based retailing would almost certainly lead to some reduction in estimated demand for conventional retail floorspace relative to household expenditure.

It is also likely that new investments will yield productivity gains and further reduce floorspace demand. While over-investment could lower productivity in the short run if floorspace expands more rapidly than demand it would be reversed in the medium term by the loss of ill-founded or under-performing businesses.

The second conclusion, the extent to which the oversupply of retail and commercial floorspace *“may threaten the vitality of the Queenstown town centre by competing for the top end activities which provides the underpinning for the district’s economic well-being”* is less compelling to the extent that the two localities perform different functions. The town centre is the civic, commercial and social centre of QLDC as well as the heart of New Zealand’s alpine tourism product. An analysis of 2012 SNZ Business Directory employment data (Table 3) indicates:

- Queenstown Bay CAU dominates district-wide non-primary-sector employment;
- It is the principal retail centre and, significantly, along with Queenstown Hill dominates the accommodation and food services sector;
- It dominates in particular information and media and professional, financial, and business support services as well as public administration
- Frankton is important in the secondary sectors (construction, wholesaling, transport and storage for which it accounts for 30% of district employment.
- Retailing is the largest sector in Frankton (18% of the combined CAU’s total employment), accounting for 21% of the district’s retail employment. This compares with 44% of the district’s retail employment in Queenstown Bay and Queenstown Hill jointly.

The picture emerges of a town centre as accommodating higher order services, hosting the visitor industry, and the focus of the district’s retailing. Frankton by contrast caters for lower order and generally lower added value activities. The centre’s wide role suggests that it will remain the focus of retailing which, among other things, complements the other activities contributing to its primacy.

**Table 3: Employment Structure, Queenstown Centre and Frankton, 2012**

	Queenstown Bay			Queenstown Hill			Frankton/Frankton East		
	Number	Composition	Share QLDC	Number	Composition	Share QLDC	Number	Composition	Share QLDC
Manufacturing	100	2%	20%	3	0%	1%	100	4%	20%
Utilities	12	0%	18%	0	0%	0%	9	0%	14%
Construction	130	3%	10%	80	4%	6%	360	14%	28%
Wholesale	50	1%	17%	0	0%	0%	173	7%	58%
Retail	810	16%	38%	130	6%	6%	460	18%	21%
Accom. & Food Services	1,660	32%	34%	1,130	56%	23%	175	7%	4%
Transport, Post, Warehousing	160	3%	24%	35	2%	5%	225	9%	34%
Info., Media, Telecoms	110	2%	50%	18	1%	8%	9	0%	4%
Finance & Insurance Services	130	3%	45%	30	1%	10%	50	2%	17%
Rental, Hiring, Real Estate	140	3%	25%	80	4%	14%	150	6%	27%
Prof., Scientific, Technical	250	5%	32%	200	10%	25%	80	3%	10%
Business Admin & Support	540	11%	49%	120	6%	11%	110	4%	10%
Public Admin & Safety	180	4%	44%	70	3%	17%	90	4%	22%
Education & Training	240	5%	33%	70	3%	10%	84	3%	12%
Health & Social Assistance	120	2%	25%	12	1%	3%	176	7%	37%
Arts & Recreation	340	7%	28%	25	1%	2%	104	4%	9%
Other	120	2%	29%	15	1%	4%	110	4%	27%
<b>TOTAL</b>	<b>5,110</b>	<b>100%</b>	<b>31%</b>	<b>2,020</b>	<b>100%</b>	<b>12%</b>	<b>2,490</b>	<b>100%</b>	<b>15%</b>

Source: Business Directory, Statistics New Zealand

The higher order role of the centre is confirmed by the 2012 distribution of employment among retail store categories (Table 4). Frankton is most dependent on supermarkets, department stores, and hardware, building and garden supplies outlets – activities focused on lower order household demand and large format stores and yards. Queenstown Bay is dominated by clothing, footwear and accessories, pharmaceuticals and “other” personal goods stores, and recreational goods, while still providing significant supermarket and grocery capacity.

**Table 4: Employment in non-Automotive Retail Categories, 2012**

	Queenstown Bay		Frankton	
	Composition	Share QLDC	Composition	Share QLDC
Supermarket & Grocery	<b>15%</b>	20%	<b>37%</b>	31%
Specialised Food	9%	39%	7%	18%
Furniture	4%	45%	2%	13%
Electrical & Electronic	1%	19%	6%	56%
Hardware, Garden & Building Supplies	7%	31%	10%	25%
Recreational Goods	<b>15%</b>	52%	6%	13%
Clothing, Footwear, Accessories	<b>25%</b>	50%	7%	9%
Department Stores	1%	7%	<b>17%</b>	87%
Pharmaceutical & Other	<b>24%</b>	58%	8%	13%
	100%	38%	100%	23%

Source: Business Directory, Statistics New Zealand

The second MML conclusion raises the possibility that excessive capacity at Frankton, over and above demand from local population growth (which appears to be the mainstay of activity there at the moment) will pressure activities based in and better suited to a town centre to relocate there. It is accepted that undermining the centre by seeking to accommodate such activities on the town’s fringes would act against the economic well-being of the town as a whole if it were to take place.

In any case, they may not be compatible with a semi-industrial environment characterised by car-dependent large format retail, distribution, and lower order employment role (including trade services, wholesaling, and light manufacturing). The questions are whether higher order activities might be expected to take up excess capacity in Frankton as, in effect, a solution to a problem of over-zoning there, whether such a shift would undermine the growth of Queenstown as a quality tourism destination, and what is the appropriate planning response to such a prospect?

### 3.5 The Policy Framework

The MML report proposes a hierarchy primarily as a means of limiting, guiding, or controlling “further plan changes that may arise on Frankton Flats” and as a “framework within which

*development focus can switch back to Queenstown District Centre” (pers. comm., January 2013).* Adopting a hierarchy to shape the response to the oversupply of business land in Frankton and the physical constraints facing the town centre may be construed as seeking a generic framework where a framework based specifically on the centres in question may be more appropriate.

A simple centres-based policy might suffice without sacrificing flexibility. Apart from anything else individual centres are subject to particular circumstances shaping their potential for growth, decline, or transformation at any given time. Enforcing a hierarchy through regulations in a district plan leans towards reliance on fixed measures of scale rather than responding to changing business models, functions, and specialisations.

Ideally, regulatory constraints on the development of subordinate centres within a broad demand-based framework relate directly to their setting (physical, social, and economic) and form, not to where they sit in a hierarchy defined by function or scale of premises. Instead, environmental and building standards may be used to manage quality issues as well as policies to rationalise land development and demands on infrastructure services. Sequencing services based on infrastructure and demand triggers, for example, might be a suitable mechanism for ordering development.

This approach would (1) address directly the requirements of the town centre, extending the policy response to include a range of statutory and non-statutory measures intended to increase its capacity without raising the costs of investment, and (2) promote an integrated approach to the development of Frankton Flats which will support an orderly development process there consistent with its location and physical setting and building on its current functions without depending on transferring a significant share of businesses from the centre of the town to the periphery.

The relevant policies, together with those for local centres, residential, and infrastructure development could be reflected in a spatial plan for Queenstown as a whole. This approach would be largely compatible with the proposed Centres Chapter while providing the grounds for integrating this with arrangements for other areas and land uses within the reviewed plan.