

QLDC Council**27 August 2015****Report for Agenda Item: 2****Department: CEO Office****Queenstown Convention Centre (QCC) Project and Lakeview Development****Purpose**

To update Council on the status of funding for the QCC project, together with its effect on progressing the wider Lakeview development; and to confirm a preferred QCC location within the site following the Plan Change 50 decision.

Recommendation

That the Council:

1. **Note** the contents of this report and in particular that the Council has not received sufficient financial commitments to date from funding sources required to construct the proposed Queenstown Convention Centre (QCC).
2. **Agree** that market engagement and private sector negotiations for the development land at Lakeview should not be progressed until there is sufficient certainty as to the progression or otherwise of the QCC project.
3. **Direct** officers to proceed with formal request(s) to central Government and additional/alternative sources for capital contribution(s) to the QCC project.
4. **Confirm** Option 2 as the preferred location for the proposed Queenstown Convention Centre within the Lakeview Site (South East corner adjacent to Thompson Street) as recommended by Council's professional advisers.

Prepared by:



Paul Speedy
Manager Strategic Projects
and Support
17/08/2015

Reviewed and Authorised by:



Adam Feeley
Chief Executive
17/08/2015

Background

- 1 On 17 September 2013 the Council approved a recommendation to lead the development of a convention centre at the Lakeview site as part of an integrated development model subject to conditions, which included approval of a master plan.
- 2 In December 2013 the Council considered a report on the master planning and development options for the Queenstown Convention Centre (QCC). The report provided:
 - a. key principles for the development of the Lakeview site;
 - b. a preferred option for master-planning of the Lakeview site and location for the QCC;
 - c. an overview of the high-level planning, infrastructure and title issues associated with the proposed development;
 - d. options for funding the development of the QCC; and,
 - e. options for development of the balance of the Lakeview site (potentially providing returns to Council of \$10-30m over time).
- 3 The Council approved the recommended principles for development of the Lakeview site and authorised the Chief Executive to enter into negotiations with potential developers. Preliminary market engagement and a number of work programmes, namely; Plan Change 50 and the land exchange proposal, have been progressed since then in order to facilitate the development.
- 4 On 26 June 2014 the Council approved the development of a Convention Centre for Queenstown by Council at Lakeview, subject to:
 - a. Securing the capital funding required to construct the Convention Centre, in addition to \$32.5m proposed by way of Council contribution;
 - b. Amending the Long Term Plan to incorporate proposed costs associated with the Convention Centre development;
 - c. The Council considering alternative ratings models which include options for an expanded CBD business zone and reduced residential contributions, and approving a final ratings funding model; and
 - d. The Council approving a preferred operating model.
- 5 The QCC rating model (targeted rate) and wider Lakeview development costs were adopted in the 2015-25 Ten-year Plan on 30 June 2015.

Comment

QCC Funding

- 6 The total anticipated direct cost to deliver the QCC facility is \$58.1M¹ including:
 - a. \$55M construction cost;
 - b. \$1.7M working capital; and
 - c. \$1.4M in infrastructure upgrades.
- 7 The QCC rating model provides for a \$31.4M contribution (debt funded) from the ratepayer. The balance of \$26.7M is being sought by way of capital contributions from central Government and other sources, potentially including; local community trusts, the Otago Regional Council, and commercial sponsorship.
- 8 A Central Government funding proposal was provided to MBIE for consideration by Treasury in January 2015. No formal response has been received and no provision for funding the QCC project was included within the budget announcement of May 2015. Indications from MBIE are that they first require Council to adopt the rating model (\$31.4M) within the Ten-year plan; update the business case for Government funding; and outline all existing and potential funding sources before Government commits any funds to the project.
- 9 Applications have been or will be made to the following sources:
 - a. Central Lakes Trust;
 - b. Community Trust of Southland;
 - c. The Lotteries Grants Board; and
 - d. The Tourism Growth Partnership.
- 10 The proposed construction timeline for the facility requires the funding to be provided within the 2018/19 financial year². The funding sources therefore will be able to make a QCC contribution within their various budget cycles. The Council will however require a level of funding certainty by the second quarter of 2016 (April-June) to meet key milestone dates for the project.

QCC Location

- 11 The master plan received by the Council (December 2013) considered three QCC location options within the Lakeview site (see figure 1 below). The Council approved the recommended option (location 1) which aimed to ensure that it shared a road frontage lake view along with a possible hot pools development.

¹ 2015-25 Ten-year Plan (inflation adjusted).

² 2015-25 Ten-year Plan

Figure 1: QCC Location Options

12 Since the Council resolution of 19 December 2013, more detailed Lakeview site design work and a subdivision plan have been completed. This work has focussed on integrating the requirements of the:

- a. QCC facility design/functionality (spatial planning) and anticipated construction cost including provision for expansion and growth;
- b. Parking, road/pedestrian network and access (back of house);
- c. Land Exchange proposal and Plan Change 50 structure plan;
- d. 'Precinct' interface with the market square, Ngai Tahu hot pools proposal, campground and Queenstown Town Centre.

13 On balance professional advisors (The Conference Company, CBRE, FearonHay and Populous) recommend that the QCC site is "swapped" with the possible hot pools development to location 2. This recommended location is further to the west (100m), but frontage with Thompson Street is maintained, as are pre-eminent views and a connection to Man Street.

Lakeview Development

14 The ongoing economic effects of development at the Lakeview Site are advised as potentially being³:

- a. \$68.4 million of additional regional GDP,

³ Insight Economics Economic Analysis of the Proposed Lakeview Plan Change, 15 August 2014

- b. 1,600 additional full-time jobs, and
 - c. \$45.8 million of additional household income.
- 15 The QCC is considered an 'anchor' project with all three economic impact reports consistently indicating a demonstrably greater economic return from a Convention Centre relative to the scale of investment. The integrated approach taken to date reflects the opportunity for the Lakeview site to support delivery of the QCC, and vice versa.
- 16 Of the total 10.7ha Lakeview site, 3.6ha is proposed as development land (excluding the preferred convention centre site). The majority (59%) of the Lakeview site land area is proposed for reserve⁴ and a road/pedestrian network.
- 17 The subdivision plan has been endorsed through the Plan Change 50 (30 June 2015) and land exchange (30 July 2015) processes. The subdivision plan sets out the configuration of reserves, roads and proposed 'super lots' available for development.
- 18 If there is a commitment for a QCC at Lakeview, then any development agreement (with a private sector partner) on the Lakeview land will need to retain the option for the QCC to be delivered. To the extent that the existing masterplan is retained with a site allocated for the QCC (but with delivery of the QCC uncertain), development outcomes (approach, timing, detailed master planning and overall commitment) may be materially compromised, and the benefits financial and economic, reduced.
- 19 It is therefore recommended that further market engagement regarding the Lakeview development land be deferred until the alternative funding contributions outlined above, have been confirmed or not.

Significance and Engagement

- 20 This matter is not significant within the Council's Significance and Engagement Policy.

Risk

- 21 The proposed deferral of progressing the development of Lakeview until such time as there is satisfactory certainty as to the future of the QCC will mitigate the risk that developers do not enter into preliminary discussions with the Council due to project uncertainty, or that the potential returns from the development will be diminished.

Financial Implications

- 22 There is no material budget or cost implications resulting directly from a decision on any option. The Lakeview development project costs are already included in the 2015-25 Ten Year Plan.

⁴ Including the campground and proposed hot pools development.

Council Policies, Strategies and Bylaws

23 There are no relevant Council policies applicable to this report.

Local Government Act 2002 Purpose Provisions

24 The relevance of the purpose provisions of the LGA have been addressed in previous reports on this matter.

Consultation: Community Views and Preferences

25 Previous consideration with the community on the following was considered in the preparation of this report:

- 2014/15 Annual Plan
- 2015/25 Ten Year Plan
- Plan Change 50
- Lakeview Reserve Exchange

Attachments

A Principles for Lakeview master-plan development (adopted by Council on 19 December 2013)