

**QLDC Council
26 October 2017**

Report for Agenda Item: 4

Department: Corporate Services

Lakeview Development Community Feedback and Transaction Options

Purpose

- 1 The purpose of this report is to provide feedback from community engagement regarding the nature of tenure of any development of the Lakeview site and to seek Council approval to move forward with development of that land in accordance with the approved development objectives.

Executive Summary

- 2 Enabling investment in Lakeview will implement one of the key initiatives identified as a means to address specific opportunities and challenges faced by the District. The Council's stated development objectives and strategic outcomes for Lakeview are recommended to be achieved through a partnership approach (via development agreement framework) with the private sector.
- 3 Separate to the preferred partnership approach, is the matter of land tenure. The Council consulted with the community on the matter of tenure (i.e. prepaid leasehold or freehold interest) for the potential sale of 4.4 hectares of commercial land from a total of 10.4 hectares of land on the Lakeview site. The majority of community feedback on this matter focused on how the Council could use the Lakeview land (itself or proceeds of sale) to address a variety of issues which could benefit the community.
- 4 The community is facing a significant requirement for major infrastructure investment due to growth. The Council is engaging with Central Government in this regard but needs to seek alternate funding solutions from its own investment portfolio.
- 5 The development or repositioning of the Lakeview site will unlock significant funds and wider benefits. The financial return will differ based on which tenure solution (prepaid leasehold or freehold) the Council decides on. The debate is not limited entirely to optimising the financial return from the development of Lakeview, but the Council must consider its current funding challenges.
- 6 The recommended option is a mixed solution which sees 3.4 hectares (2.7 hectares under freehold interest and 0.7 hectares under prepaid leasehold interest) of the commercial land to be made available for development in partnership with the private sector. This therefore retains 7.7 hectares or 74% of the total Lakeview site in community ownership.¹

¹ Includes 0.7 hectares recommended for development under prepaid leasehold interest and the Lynch Block (1.0 hectare) not being recommended for development.

Recommendation

That Council:

1. **Note** the contents of this report;
2. **Note** the community feedback;
3. **Approve** the intention to enter into agreement(s) with the private sector for development of the Lakeview commercial land (the Land) comprising approximately 3.4 hectares and identified as lots 2, 3, 4, 5, 6, 7, 8, and 11 (freehold) and lots 10 and 12 (prepaid leasehold) of the Lakeview subdivision plan (Attachment B) as market conditions allow; and
 - a. provide notice to CCR Limited of the Council's intention to cancel part of the Queenstown Holiday Park Lease area as it relates to Part Blk XXXII TN of Queenstown;
 - b. remove Designation 211 - Recreation Reserve (Motor Park) from the District Plan as it relates to Part Blk XXXII TN of Queenstown;
 - c. declare the Land as surplus to be disposed of in accordance with the Property Sale and Acquisition Policy (2014), and on the basis set out in Option 3 (namely the sale of prepaid leasehold interest in lots 10 and 12, and sale of freehold interest in the balance of the lots), once subdivision consent and titles are obtained.
4. **Authorise** the Chief Executive to:
 - a. issue a request for an expression of interest (EOI) seeking development partners for the Land, with an intention to shortlist and seek formal request for proposals (RFP) from that shortlist;
 - b. consider offers for the Land as a whole, or in selected packages and seek the Council's endorsement of the short listed parties and financial parameters;
 - c. negotiate and execute transaction agreements with development partner(s) subject to the financial parameters.
5. **Agree** to commit to deliver the required internal infrastructure, roads and public space to allow transfer of the Land (serviced lots) to developer partner(s);
6. **Approve** re-establishment of \$708,706 in capital expenditure to this financial year (2017/ 18) to meet estimated programme costs;
7. **Agree** to set aside for the purposes of affordable housing a financial contribution equivalent to 5% of the consideration received for the Land (as transaction payments are received);
8. **Agree** to set apart part of the recreation reserve, identified as Lot 1 (stage 1) in the Lakeview subdivision plan (Attachment B) and further shown in Attachment C, as baths under section 53(1)(h) of the Reserves Act 1977;

9. **Authorise** officers to provide public notice of the Ngai Tahu Tourism lease proposal under section 54(2) of the Reserves Act 1977;
10. **Appoint** a Hearings Panel consisting of *[three members to be specified by Council]* to hear submissions and to recommend whether or not a lease is to be granted to Ngai Tahu Tourism;
11. **Direct** officers to report back options for the use of reserve land identified as Lot 9 (stage1) of the Lakeview subdivision plan (Attachment B) including a plan for managing existing occupiers of the Lakeview site as development proceeds, namely the cabin tenants, community groups and the Queenstown Holiday Park;
12. **Direct** officers to report back options for the future use of the Lynch Block including specific consideration for use as worker accommodation and/ or affordable housing.

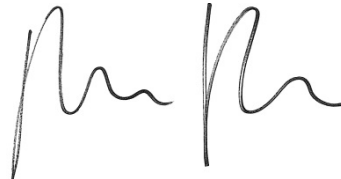
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10/10/2017

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19/10/2017

Background

- 7 In 2002 the Council sponsored a strategic planning project to provide the Queenstown, Frankton and wider Wakatipu basin community with the opportunity to determine its vision for the future.
- 8 The plan (Tomorrow's Queenstown) adopted by the Council in August 2002, outlined strategic goals and priority issues centred on managing growth, building a sense of place, improved community facilities and services, and diversifying/strengthening the economy.
- 9 Through the 2002 community engagement process the Council was made aware of public concerns about the pressure that rapid growth was placing on the town and its relevance to local people and environmental effects. One priority recommendation of the plan was to prepare a town centre strategy for Queenstown Bay, including the central business district.
- 10 Also in 2002 after identifying a need to respond to anticipated growth in the district, the Council commissioned Ernst and Young to undertake a strategic land-use review at Lakeview. Recommendations on how to enable or better utilise the site included; undertaking a master planning exercise for a mixed use development; creating a permissive consenting zone (plan change) and leasehold land tenure.

- 11 In 2006 the Council undertook a district wide study of commercial land (Town Centre, Business and Industrial Zones) needed to sustain the growth of the local economy to 2026. The Council subsequently prepared a Growth Management Strategy for the District in 2007 and adopted the Queenstown Town Centre Strategy in 2009.
- 12 The Town Centre Strategy (2009) identified land to the north and northwest of the Queenstown town centre, along Brecon Street and toward Gorge Road as possible Queenstown Town Centre Zone expansion areas. These two documents identified key findings in relation to the Queenstown town centre where the importance of a 'sense of community' and to ensure future planning allows for a diversity of activities and spaces which cater to both residents and visitors.
- 13 In 2011 the 'Shaping our Future' economic forum was established by the Council to address environmental, social and economic issues in the district. A steering group (Economic Futures Taskforce) of representatives from the Council, community and business leaders was formed to promote sustainable economic growth, attract and encourage new business and industry, undertake impact assessments of economic initiatives, and create a regional economic development strategy.
- 14 In 2013 the Council commissioned a study² to review the Queenstown Lakes District Plan business zones capacity. This project involved a review of the capacity of existing commercial zones in the District Plan and the development of a policy structure that enables more effective management and integration of these zones. The report also identified the land to the north and northwest of the Queenstown town centre as possible for extension of the Queenstown Town Centre Zone, and included land to the southwest between Lake Esplanade and Ben Lomond Scenic Reserve incorporating the Lakeview site.
- 15 In 2013 the Council developed a master plan for the prime underutilised Lakeview site, and in June 2014 a decision was made to pursue a plan change (rezoning) to provide a planning framework to enable a more comprehensive and flexible development outcome at Lakeview.
- 16 In 2015 the Council's Economic Development Strategy confirmed that growth is forecast to continue, and the District will face increasing pressure to manage the associated infrastructure and environmental demands.
- 17 The Economic Development Strategy proposes that: "the quality of the local business and physical environment influences the decisions that businesses, employees and residents make about the effort they put in to ventures and where they want to live. The Council is a key shaper of this environment, through its role in district planning, providing amenities and services, and setting and administering regulation".
- 18 The Economic Development Strategy identified objectives for the priority areas of: the local business environment, planning for growth, addressing property demand and supply, and housing affordability. Development at Lakeview is

² McDermott Miller Strategies Limited.

specifically recommended as a key opportunity for addressing these priority areas.

- 19 On 27 July 2016 Plan Change 50 was made operative having been formulated to enable a very well designed extension to the Queenstown town centre and facilitate high quality built form and public open spaces, befitting the location.
- 20 On 17 August 2017 the Council approved development objectives for commercial land at Lakeview (the Land), and agreed on a partnership or 'transaction approach' to develop the Land with a view to align private commercial interests with the Council's public objectives.
- 21 The Council has identified in the development objectives an aim of establishing a "thriving residential focused, mixed use precinct...providing for the intensification sought via Plan Change 50 and delivers for a variety of housing outcomes and/ or diverse residential community".
- 22 The Land is part of the Council's commercial or investment property portfolio. Under the Property Sale and Acquisition Policy (2014) the Council must consider alternatives to disposal (such as leasing) if the Land is deemed surplus (or identified for repositioning), along with the Council's published strategic objectives, policies and/ or plans.
- 23 One issue the Council sought to engage with the community on was the matter of tenure i.e. prepaid leasehold versus freehold.

Comment

Community feedback

- 24 The Council considered that the level of interest on the issue of tenure for the Lakeview land was such that it warranted a conversation with the community before making a decision. Accordingly informal consultation was undertaken to seek feedback on the issue.
- 25 During the three week engagement period 34 responses were received. All comments are provided as Attachment A. The majority of respondents commented on how the Council could use the Lakeview land to address a variety of issues which could benefit the community. Direct feedback on the nature of tenure (prepaid leasehold versus freehold) was also received.
- 26 Ensuring outcomes through the Council retaining some form of control over development on the Land was also generally considered important to respondents.
- 27 There was a strong theme in many comments regarding the provision of affordable and worker accommodation. Other suggestions centred on the Land providing for or contributing to community facilities (e.g. halls, arts/ cultural venues, convention centre etc.) and town centre infrastructure projects.

Affordable housing

- 28 Sitting behind the level of house prices is a complex set of supply and demand forces that ultimately determine the level of affordability in the housing market³.
- 29 The New Zealand Productivity Commission's Housing Affordability Inquiry report (2012) has identified that "Councils have a major influence on all stages of house construction, as they are responsible for urban planning, including the release of land for development and zoning decisions; providing or arranging for the provision of infrastructure to land that is to be developed; issuing building consents that are required before buildings are demolished, removed, constructed or altered; and ensuring compliance with the Building Code".
- 30 The report also acknowledged the role of the community housing sector, made up of non-government or not-for-profit organisations being called upon to deliver an increased supply of affordable or social housing generally, within the New Zealand market.
- 31 In October 2012, Cabinet considered the Productivity Commission's recommendations and agreed its own programme response identifying four key aims:
- a. Increasing land supply for new housing should include more green-fields and brownfields developments and allow further densification of sites close to existing centres, local employment, and services;
 - b. Reducing delays and costs of RMA processes associated with housing;
 - c. Improving the timely provision of infrastructure to support new housing including considering new ways to co-ordinate and manage infrastructure for subdivisions;
 - d. Improving productivity in the construction sector.
- 32 It is also appropriate to reference the Mayoral Housing Affordability Taskforce Report (set to be adopted 26 October 2017) which reinforces that the lack of affordable housing is the greatest challenge our District faces. The report seeks to create a permanent pathway to deliver affordable housing to meet the district's needs, now and in the future. Current projections in the report show that 14,570 additional homes are needed across the district in the next 30 years.
- 33 The District Plan Section 4: District Wide Issues, includes the affordable and community housing objective 4.10.1. This objective seeks to provide "access to community housing or the provision of a range of residential activity that contributes to housing affordability in the District". Associated policies include:
- *Policy 1.1* To provide opportunities for low and moderate income households to live in the District in a range of accommodation appropriate for their needs.
 - *Policy 1.2* To have regard to the extent to which density, height, or building coverage contributes to residential activity affordability.

³ New Zealand Productivity Commission's Housing Affordability Inquiry report (2012)

- *Policy 1.3* To enable the delivery of community housing through voluntary retention mechanisms.
- 34 The opportunities to provide affordable and community housing have been improved under the Plan Change 50 provisions compared to those provided under the previous zoning due to the fact these include relaxed bulk and location requirements which, in turn provide opportunities for higher density housing.
 - 35 A development agreement framework would also enable the Council to select a credible shortlist of partners it would be willing to work with (based on matters such as track record) and ultimately determine the development guidelines, controls and expectations which may include a set of essential outcomes (e.g. density, mix, staging etc.), to be contracted via development agreement(s) or similar.
 - 36 The completed rezoning and making the Land available for development under the proposed development agreement framework could therefore be considered an appropriate way of achieving objective 4.10.1 and adequately providing for the associated policies 1.1 and 1.2. Whether policy 1.3 has or would have the same (or any) consideration is less certain.
 - 37 Retention mechanisms (referred to in policy 1.3) may ensure the ongoing availability of community housing for future low and moderate income households. The retention mechanisms can comprise regulatory and conveyancing tools suitable for defined periods of time, or the transfer of contributions in the form of land, housing or money to the Council to achieve permanent affordability.
 - 38 Having regard to the nature and value of the Land, it is deemed appropriate that the Council (in subdividing the Lakeview site) set aside a direct financial contribution for the delivery of this type of housing product into the Queenstown market.
 - 39 Factors that need to be considered include the Council's significant investment in the Land to date, currently providing for housing⁴ on the Lakeview site and potential to increase supply through initiating Plan Change 50.
 - 40 The Lynch Block makes up 1.0 hectare (25%) of the commercial or freehold investment land on the Lakeview site and it is recommended not to be considered for development at this time. The intention is that the Council will do further work to determine options for the future use of the Lynch Block including its consideration for worker accommodation and/ or affordable housing⁵. This may include products such as 'Affordable Rental' or 'Secure Home Programme' as referenced by the Mayoral Housing Affordability Taskforce.
 - 41 The Lakeview subdivision will also provide considerable investment from the Council in public open space including a market square, landscaping and shared pedestrian zones within road corridors.

⁴ \$4.5 million for purchase of cabins in 2002.

⁵ A function currently provided with 48 cabins managed as rental accommodation on behalf of the Council.

- 42 Notwithstanding this, the recommendation is that an affordable housing contribution equivalent to 5% of the value of the Land must be made to demonstrate the Council's commitment to affordable housing.

Traditional and prepaid leasehold tenure

- 43 Traditional leasehold tenure requires the lessee of land to make periodic ground rental payments to the owner of the land (lessor), with those ground rental payments increased over time to reflect the increasing value of the land.
- 44 Advice suggests traditional leasehold tenure may not be considered viable for residential-led development projects in New Zealand, following some high profile and well publicised examples of leasehold development where the value of lessee's assets (e.g. their apartment) has fallen considerably as a result of escalating ground rental levels.
- 45 Prepaid leasehold tenure is an attempt to overcome the problems associated with traditional leasehold tenure by allowing the purchaser (lessee) to prepay the rent for a very long period of time (at least 90 years and commonly 125 years) and therefore avoid that uncertainty/ risk associated with escalating ground rentals at future reviews.
- 46 A risk to be considered with long term leasehold interests is that as the term of the prepaid period gets closer to expiry, the value of the lessee's interest (i.e. the building or apartment owners asset) declines, because purchasers recognise that, at some point in future, the lease will expire and the assets will revert to the lessor.
- 47 Prepaid leasehold has the potential to significantly alter residential feasibility, unless a site is particularly distinctive (water front for example). Potential residential purchasers will generally be better placed to secure finance and have a preference for freehold interest over a leasehold option.
- 48 This feasibility issue largely relates to the potential risks associated with selling down apartment or residential product, which is fundamentally a developer problem i.e. not one that the Council is directly exposed to. However, developers will factor this risk into the price they are willing to pay for the land.
- 49 Commercial development is not greatly affected by the tenure offered. That is not to say there is no impact, rather it appears (based on New Zealand market evidence) to be relatively modest because purchasers of office and retail assets are cash flow driven.
- 50 Overall leasehold tenure has potential to significantly reduce liquidity or the level of developer interest given the Councils residential development focus.
- 51 A risk is that if prepaid leasehold tenure (as opposed to freehold tenure) is made available, some potential developers will elect not to compete (as confirmed during prior market testing) and land pricing could be materially affected.

Benefits of prepaid leasehold tenure to landowner

- 52 From a financial perspective, advice makes it clear there is no obvious benefit to a land owner. However for certain parties', including public bodies and iwi, this

form of tenure avoids total alienation of the land and presents an opportunity for future generations (when the prepayments period/ lease expires in say 125 years) to economically benefit from that land.

- 53 Where the site is of particular cultural or strategic importance, this delivers a clear non-financial benefit. Leasehold tenure also affords some control over what occurs on the land.

Freehold

- 54 Freehold tenure is the predominant form of land tenure in New Zealand.

- 55 When compared with the alternative (prepaid leasehold tenure), freehold tenure can be expected to deliver better financial and built form outcomes. Due to the fact freehold tenure is more common and better understood in New Zealand; it is a more desirable option and more developers are likely to be engaged with this form of tenure.

Development outcomes

- 56 The Council intends for the Land to be developed as a mixed use precinct with a residential focus, although it is expected that some lots may be developed with hotel accommodation. Commercial or retail activities are likely to be ancillary or complementary to the predominant activities (i.e. housing and hotel accommodation).
- 57 The preferred development agreement framework is a tool used commonly by public sector land owners in both Australia and New Zealand to achieve desired development objectives and mitigate exposure to development risk.
- 58 The kind of obligations/ controls that might be included in a development agreement to embed a proposal and see it delivered are:
- a. design approval processes to produce agreed master plan/ stage plans;
 - b. staging of title transfer;
 - c. settlement milestones that must be achieved before title transfer to avoid land banking, ensure progress and performance;
 - d. land payment mechanisms (e.g. revenue share, super profit share, deferred settlement etc.).
- 59 As previously referenced, leasehold tenure is sometimes used because it provides the landowner an ability to have some influence over what the developer elects to build. However, it is important to note that freehold tenure does not prevent the Council from exercising this influence because the chosen partnership approach using a development agreement framework will document what the parties have agreed will occur and when.
- 60 There are many potential development configurations for the Land and the total achievable gross floor area (GFA), and GFA allocated to each land use, will vary materially depending upon the development options pursued on each individual lot. Indicative development schemes and metrics are represented in table 1.

Table 1: Indicative land use(s) and development metrics

Use/ metric	Range	Comment
Residential (apartments and townhouses)	255 - 455	1.
Hotel rooms	0 - 325	2.
Commercial/ retail (sq. meters)	5,000 – 12,000	3.
Carparks	575 - 925	
Above ground gross floor area (GFA) (sq. meters)	60,000 - 75,000	4.
Floor area ratio (FAR = GFA divided by the site area)	1.8 – 2.3	
Comment: <ol style="list-style-type: none"> 1. The top end of the range assumes all lots are residential. 2. Low end of range assumes all lots are residential, top end assumes lots 2, 3 & 12 are hotel. 3. The top end of the range considers a large office development. 4. Includes aboveground parking but excludes basement. 		

Reserve land

61 As part of previous work to guide the Lakeview development⁶, the Council has made decisions about the shape and location of reserves that would best serve the urban development that is contemplated.

62 Uses of the Lakeview reserve land include the Queenstown Lakeview Holiday Park, the proposed Ngai Tahu Tourism hot pools development and a market square or plaza located at the centre of the site.

63 The Lakeview Holiday Park is leased to CCR Limited. Anticipating development of the site, the parties made provision (in the lease) for an option to cancel a portion of the lease area (tent and campervan sites). A settlement amount has been pre-negotiated and the Council will need to provide at least 12 months' notice of its intention to cancel this lease area. Removal of Designation 211 - Recreation Reserve (Motor Park) from the District Plan, as it applies to the holiday park lease cancellation area⁷, will also be necessary.

64 Under the lease agreement the Council may work with CCR Limited (but has no legal obligation) to locate an alternative site suitable for its operation.

65 Ngai Tahu Tourism and the Council have signed an agreement to proceed with the development of the hot pools proposal, subject to certain terms and conditions under the Reserve Act. As administering body of the reserve, the Council will need to 'set aside part of the recreation reserve as baths' and provide public notice of any lease proposal. That process includes consultation, submissions from members of the public and a hearing.

66 Also subject to undertaking the necessary public consultation, it is recommended the Council consider the future of one parcel (circa 8,240 sq. meters) of Lakeview

⁶ 30 July 2015 land exchange proposal (approved by the Minister of Conservation 29 June 2016) and Plan Change 50 (Lakeview Sub-zone structure plan) operative 27 July 2016.

⁷ Part Blk XXXII TN of Queenstown.

reserve land referenced as Lot 9 (stage 1)⁸. Potential options include, but are not limited to use as:

- a. public open space;
- b. car parking; or
- c. other community uses (e.g. halls, arts/ cultural venues, convention centre etc.).

67 There are specific purposes (as defined by the Reserves Act) for land classified as recreation reserve. Not all activities (above) fall within this definition, although that is the case also for the existing use as residential accommodation⁹. The Council must ensure that any proposed activities on the reserve land meet the purpose of the classification or re-classify the reserve land in accordance with the Reserves Act.

68 The proposed Ngai Tahu Tourism lease area (including market plaza); holiday park lease cancellation area and Lot 9 (stage 1) are identified in figure 1. A detailed plan of the Ngai Tahu Tourism lease area is provided as Attachment C.

69 The Lakeview commercial land (the Land) is identified in figure 2 and Attachment B, as lots 2, 3, 4, 5, 6, 7, 8, 10, 11 and 12. The Lynch Block is identified as lot 16 of Attachment B.

⁸ Crown derived title and subject to the Ngai Tahu Claims Settlement Act.

⁹ Legal advice suggests that the residential tenancy agreements which QLDC has with the current cabin occupiers on recreation reserve land are 'unlawful' under the Reserves Act.

Larger version provided as Attachment B

Transaction recommendations and 'go to market' strategy

70 The Council has taken advice on approaches it could take with respect to transacting the Land having regard to the adopted development objectives; state of the market and practical constraints/ requirements. Five alternative contractual/ delivery options were considered which are summarised in table 2.

Table 2: Transaction options considered

Option	Description	QLDC delivers infrastructure	No. of partners/ DAs	Sub-contracted developers
1A	DA with a single development partner, who delivers all internal infrastructure and vertical development.	×	1	No
1B	DA with master developer, who delivers internal infrastructure and subcontracts vertical development.	×	1	Yes
1C	QLDC delivers internal infrastructure and enters DA with a single development partner, who delivers all vertical development	✓	1	No
2A	DAs with multiple development partners, some incorporating components of internal infrastructure (i.e. staged).	×	Multiple	No
2B	QLDC delivers internal infrastructure and enters multiple DAs with vertical development partners	✓	Multiple	No

71 A qualitative assessment of the five options is summarised in table 3.

Table 3: Qualitative assessment of transaction options

Description	Option 1A	Option 1B	Option 1C	Option 2A	Option 2B
Liquidity / Market appetite	Very limited	Limited	Moderate	Moderate	High
Control over outcomes	Moderate	Low to moderate	Moderate to high	Moderate	Moderate to high
Management complexity and interface risk	Low	Low to moderate	Low	High	High
Financial risk	Low	Low	Moderate	Low to moderate	Moderate to high

72 Quantitative assessment shows financial performance under options 2A and 2B would be expected to align with 1A and 1C respectively, albeit the Council would incur slightly higher management overhead costs. However, the choice to engage with multiple partners does potentially introduce some liquidity benefits and may therefore improve pricing and/ or the rate of sell down.

73 Based on the analysis it is recommended that the Council commits to delivering onsite roads, infrastructure and public realm because it will enhance/ increase the

nominal land payment the Council can expect to receive (after accounting for the cost of infrastructure). A concept plan of the Lakeview road and public realm design is provided as Attachment D.

- 74 The Council delivery of infrastructure will also significantly reduce complexity because it allows full control over the subdivision process, which is likely to improve liquidity because developers that lack experience in infrastructure delivery will be able to participate in the transaction process and because it makes it easier to break the site into smaller packages (i.e. partner with more than one developer) should that prove to be desirable. It also provides the Council with more control.
- 75 A decision on the 'packaging' of lots and the number of partners the Council works with to deliver development of the Land, should be left until after the Expression of Interest (EOI) process has been completed. This will allow Council to retain some flexibility regarding exposure to interface risk and management complexity while testing market liquidity for partners that have interests in different components of the site.
- 76 Where the Council does ultimately elect to partner with more than one developer, the preferred outcome would be where sites are packaged based on use and design efficiency. This approach will deliver better design outcomes and will attract specialist developers (e.g. hotel developers).
- 77 As previously recommended a two stage process is required in order to facilitate a market response:
 - a. Expression of Interest (EOI) – seeking parties interested in participating with the key qualifying criteria being track record (i.e. capability and capacity). This provides an opportunity to obtain feedback from interested parties in respect of the size of their appetite (i.e. do they want to develop all or part of the Land) and therefore consider potential options for lot packaging (per above);
 - b. A Request for Development Proposal (RFDP) – which would seek formal design proposals together with the Land pricing. The proposals would be evaluated on the quality of the built form and its potential to positively impact on the town centre, together with the price offered.
- 78 As the Council wishes to retain some control over outcomes at Lakeview given its importance, but at the same time is seeking to achieve good value within that framework, it is recommended that the Council seek to carefully manage (limit) the control it seeks to essential matters. It is therefore imperative that obligations imposed on the developer are restricted to those that are essential to meeting the stated development objectives.

Options

79 Option 1: Sale of prepaid leasehold interest.

Advantages:

- a. Provides a form of control.
- b. Provides an upfront payment of rent for the full term of the lease.
- c. Residual ownership of the Land is retained for a future generation in 125 years.

Disadvantages:

- a. Presents risk to feasibility and pricing.
- b. Potential to alter liquidity/ developer interest.
- c. Poor commercial outcome relative to freehold sale.
- d. Potential issues of asset degeneration on or approaching lease expiry in 125 years.

80 Option 2: Disposal of freehold interest.

Advantages:

- a. Better financial and built form outcomes.
- b. Realises the Land's value and presents an opportunity to invest in other priority activities.
- c. More desirable for development of residential property, a primary objective of the Council.

Disadvantages:

- a. May not satisfy other non-financial factors.

81 Option 3: Mixed solution – Disposal of freehold interest in the Land except for sale of pre-paid leasehold interest in lots 10 and 12.

Advantages:

- a. Desirable and distinctive land ¹⁰ could be retained for a future generation in 125 years.

Disadvantages:

- a. Presents risk to feasibility and pricing with the potential to alter liquidity/ developer interest, albeit limited to a portion (lots 10 and 12) of the Land.

¹⁰ Previously identified preferred location for the Queenstown Convention Centre (QCC).

82 Option 4 Status Quo – Do nothing

Advantages:

- a. Current occupiers of the Lakeview site remain unaffected.
- b. Opportunity of freehold disposal remains available in the immediate future.

Disadvantages:

- a. Delay in development of the Lakeview site could have a material impact on potential financial and non-financial outcomes for the Council.
- b. The Land value remains unrealised and underperforming.
- c. Any strategic importance remains unrealised.

83 This report recommends **Option 3** for addressing the matter because it will enable the Council to deliver to the stated development objectives and 'unlock' or implement long anticipated investment in the Lakeview site.

Significance and Engagement

84 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because of the extent of community interest and importance to the District in terms of impact on the environment, culture and people of the District.

85 The matter is consistent with existing policy and strategy and will positively impact objectives set out in the financial strategies of the Ten Year Plan and Annual Plan.

86 While the Land is not listed as a strategic asset in the Council's significance and engagements policy, it is land of some significance. Much of the historical consultation on development of the Lakeview land (including this most recent consultation regarding tenure) has been conducted on the basis the Land is a very valuable asset.

Risk

87 This matter relates to the strategic risk SR1 current and future development needs of the community (including environmental protection), as documented in the Council's risk register. The risk is classed as high. This matter relates to this risk because it enables investment in key initiatives (namely housing, visitor accommodation and core infrastructure) identified to address specific opportunities and challenges faced by this District.

88 The recommended option mitigates the risk by transferring the risk through contracts or other agreements with external agencies.

Financial Implications

89 Lakeview development programme budgets were adopted in the 2015/ 25 Ten Year Plan¹¹. In November 2016 all Lakeview development budgets were deferred to 2019/ 20 for consideration in the 2018/ 28 Ten Year Plan process.

90 In order to progress recommended Lakeview programme work streams it will be necessary to re-establish a portion of the deferred 2016/17 capex budget¹² to meet estimated 'go to market costs' this financial year.

91 It will be necessary to re-establish funding of \$708,706 this financial year (2017/ 18) to meet estimated programme costs. Updated infrastructure costs necessary to support the development at Lakeview will also need to be considered in the 2018/ 28 Ten Year Plan process.

92 On the basis that the necessary programme funding can be debt funded pending returns from future anticipated transaction cash flows and/ or development contributions as indicated in table 4.

Table 4: Indicative return to QLDC from the Land

	(\$M)
Land value	60.0
<i>(mid-point of freehold valuations based on various transaction scenarios)</i>	
<i>less:</i>	
• development costs <i>(incl. roads, public space & site establishment etc.)</i>	17.1
• management overhead <i>(incl. market engagement & consenting)</i>	1.4
• repayment of outstanding loans <i>(2002 cabin purchase)</i>	4.0
• contribution to affordable housing provider <i>(5% of land value)</i>	3.0
Net cash flow	34.5

Council Policies, Strategies and Bylaws

93 The following Council policies, strategies and bylaws were considered:

- District Plan
- Economic Development Strategy 2015
- Property Sale and Acquisition Policy 2014
- Affordable Housing Strategy

94 The recommended option is consistent with the principles set out in the named policy/policies.

¹¹ \$11.3 million (not including convention centre construction)

¹² \$4.2 million deferred to 2019/ 20

95 This matter is included in the 10-Year Plan/ Annual Plan with the Land identified as part of the Council investment property portfolio.

Local Government Act 2002 Purpose Provisions

96 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by realising the value of a commercial asset;
- Can be implemented through current funding under the 10-Year Plan;
- Is consistent with the Council's plans and policies; and
- Will ensure prudent stewardship and the efficient and effective use of the Council's resources in the interests of the District, including by planning effectively for the future management of the Council's assets.

Consultation: Community Views and Preferences

97 The persons who are affected by or interested in this matter are the residents/ ratepayers of the Queenstown Lakes District community, Te Rūnanga o Ngāi Tahu (Ngāi Tahu), the Department of Conservation and occupiers of the Lakeview site. These include:

- a. CCR limited, lessees of the holiday park;
- b. cabin occupiers/ tenants;
- c. community groups (including Toy Library, Japanese Society and Showbiz Queenstown).

98 Special consideration should be made for the late David William Thompson, founder of the Lakeview campground and Councillor from 1941 to 1949, and then Mayor of Queenstown from 1950 to 1953. Recognition for Mr Thompson will be retained as part of the design of the market square/ plaza.

99 The Council has through its consultation and resolutions to date signalled its intention to develop the Lakeview site. With regard to the Councils planned activities at Lakeview, all affected parties will continue to be informed and/ or consulted transparently.

Legal Considerations and Statutory Responsibilities

100 Legal advice has been taken and the recommended option is consistent with that advice.

Attachments (Presented separately)

- A Community feedback
- B Subdivision plan
- C Proposed hot pools lease area
- D Public realm concept plan