

APPENDIX A

McDermott Miller Strategies Ltd, in association with
Allan Planning and Research Ltd: Business Zone Capacity
and Zoning Hierarchy Report



Allan Planning & Research



Queenstown Lakes District Council

Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy

By:

McDermott Miller *Strategies* Limited

in association with Allan Planning & Research Limited

15 November 2013

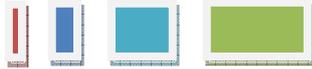


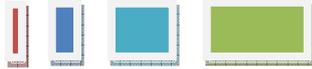
TABLE OF CONTENTS

INTRODUCTION	1
1.2 Outline of McDermott Miller’s Approach and Work Programme	4
1.3 Outline of Report	6
PART I: CURRENT SITUATION	7
2 THE DISTRICT’S ECONOMY	8
2.1 Introduction	8
2.2 Economic role of Queenstown Lakes District	8
2.3 Significance of tourism to the Queenstown Lakes District economy	10
2.4 Trends in the Queenstown Lakes District economy	19
2.5 Conclusion to Section 2	24
3 SPATIAL ECONOMY - 2012	25
3.1 Introduction	25
3.2 Economic roles of the centres within Queenstown Lakes District.....	26
3.3 Distribution of Jobs Compared to Population.....	29
3.4 Distribution of Commercial/Retail Floorspace: Current and Developer’s Intentions.....	30
3.5 Supply of Vacant Commercially Zoned Land.....	34
PART II: DEVELOPMENT PROSPECTS AND OPTIONS.....	36
4 ECONOMIC GROWTH SCENARIOS	37
4.1 Introduction	37
4.2 What the Commercial Stakeholders Think.....	37
4.3 Business Zone Commercial Land Needs based on Population Projections and Building Consents Trends	41
4.4 Growth prospects under Continuation of Current Economic Growth Trends.....	43
4.5 Modelled Economic Growth Scenarios	47
4.6 Retail Demand Effects of the Economic Growth Scenarios.....	53
4.7 Business Zone Land Demand Effects of the Economic Growth Scenarios.....	56
4.8 Conclusion to Section 4	64
PART III: EVALUATION OF DEVELOPMENT OPTIONS.....	66
5 TOWARDS A CENTRE BASED DEVELOPMENT STRATEGY	67
5.1 Introduction	67
5.2 Scenario One: Dispersion - Uncoordinated Private and Public Plan Changes and Development Initiatives Continue	67
5.3 Alternative Scenario Two: Intensification of Urban Development within agreed District Economic Strategy	69
5.4 Evaluation of the Development Scenarios.....	72
6 STRATEGIC ISSUES AND INITIATIVES	74
6.1 Key role of Queenstown CBD and its significance for international tourism and the District economy.....	74
6.2 Wanaka’s future role as twin international tourism resort with Queenstown	75
6.3 Supporting role of Frankton & Arrowtown Suburban Centres and Rural Centres	76
6.5 Need to Address Policy Issues	79
6.6 How best can Queenstown Lakes District Council deal with these issues?.....	80
6.7 Conclusion to Section 6.....	80
7 TOWARDS A ZONING HIERARCHY – QUEENSTOWN LAKES DISTRICT PLAN	81
7.2 Expansion of commercial opportunities between years 2000 and 2012.....	82
7.3 Current Plan and looking forward	82
7.4	84
Commercial/Retail Centre hierarchy options.....	84
7.6 Section 32 considerations	103
8 CONCLUSION	104



ANNEXES

- ANNEX I Household Growth
- ANNEX II multiplier effects under the Economic Growth Scenarios
- ANNEX III Employment expansion under the Economic Growth Scenarios in Wakatipu-Arrowtown and Wanaka
- ANNEX IV Commercial/Industrial Land Requirements under the Economic Growth Scenarios
- ANNEX V Area Unit Maps



LIST OF EXHIBITS

Figure 1.1:	Merged Queenstown Lakes District Projects: Broad Approach	5
Table 2.1:	Classification of Industries	10
Figure 2.1:	Employment Growth: Queenstown-Lakes District	11
Figure 2.2:	Employment Growth: Wakatipu-Arrowtown	12
Figure 2.3:	Employment Growth: Wanaka	13
Figure 2.4:	Average Annual Rates of Employment Growth: Wakatipu-Arrowtown	14
Figure 2.5:	Average Annual Rates of Employment Growth: Wanaka	15
Figure 2.6:	Share of Employment: Queenstown-Lakes District	16
Figure 2.7:	Share of Employment: Wakatipu-Arrowtown	17
Figure 2.8:	Share of Employment: Wanaka	18
Figure 2.9:	Residential Building Consents: Number of Houses, Units, Apartments	19
Figure 2.10:	Estimated Visitor Nights: Wakatipu -Arrowtown	20
Figure 2.11:	Estimated Visitor Nights: Wanaka	21
Figure 2.12:	Estimated Tourist Expenditure (constant 2011 \$M) – Queenstown Lakes District	22
Figure 2.13:	Shift in Employment by Sector 2008-2012 - Queenstown Lakes District	23
Figure 3.1:	Distribution of 2012 Employment by Area Unit (2011 definitions) Sorted by Total Employment	26
Figure 3.2:	Distribution of 2012 Employment by Area Unit (2011 definitions) Sorted by Tourism Characteristic Industries Employment	27
Figure 3.3:	Distribution of Office-based Employment 2012 - Queenstown Lakes District	Error! Bookmark not defined.
Figure 3.4:	Commuting from Area Unit (2006) of Residence to Workplace Area Units within Wakatipu-Arrowtown in 2006	29
Table 3.1:	Estimated Current Retail & Related Floorspace	31
Table 3.2:	Possible Future Retail Floorspace: Developers Intentions (sq m GFA)	33
Table 3.3:	Estimated availability of land for non-retail development	35
Figure 4.1:	Projected Visitor Nights – under Status Quo Scenario	43
Table 4.1:	Summary of Status Quo Scenario ERRATUM	44
Figure 4.2:	Addition of Total Employment (Direct, Indirect and Induced) under Status Quo Scenario	45
Figure 4.3:	Cumulative Demand for Retail Floorspace (inc cafes etc) under Status Quo Scenario	46
Figure 4.4:	Demand Scenarios for Vacant Business Zoned Land (Excluding Land Committed to Retailing): Status Quo Scenario	46
Figure 4.5:	Projected Visitor Nights by Economic Growth Scenario: Wakatipu - Arrowtown	48
Figure 4.6:	Projected Visitor Nights by Economic Growth Scenario: Wanaka	48
Table 4.2:	Summary of Modelled Economic growth Scenarios	49
Figure 4.7:	Employment Growth (including indirect and induced effects) Increase by Economic growth scenarios and industry group: Growth to 2021	50
Figure 4.8:	Total Employment (including indirect and induced effects) Increase by Economic growth scenarios and industry group: Growth to 2031	Error! Bookmark not defined.
Figure 4.9	Total Employment (including indirect and induced effects) Increase by Economic growth scenarios and industry group in Queenstown Lakes District: Growth to 2021	52
Figure 4.10:	Retail Spending Impacts: Wakatipu and Arrowtown Wards	53
Figure 4.11:	Retail Spending Impacts: Wanaka Ward	54
Figure 4.12:	Cumulative Demand for Retail Floorspace (inc cafes etc) under Economic Growth and Population-driven scenarios, compared with Developer’s intended additions to Retail Supply: Wakatipu-Arrowtown	Error! Bookmark not defined.
Figure 4.13:	Cumulative Demand for Retail Floorspace (inc cafes etc) under Economic Growth and Population-driven scenarios, compared with Developer’s intended additions to Retail Supply: Wanaka	Error! Bookmark not defined.
Figure 4.14:	Demand Scenarios for Vacant Commercial Land (Excluding Land Committed to Retailing): Wakatipu-Arrowtown	Error! Bookmark not defined.
Figure 4.15:	Demand Scenarios for Vacant Commercial Land (Excluding Land Committed to Retailing): Wakatipu-Arrowtown, Growth to 2021	59
Figure 4.16:	Demand Scenarios for Vacant Commercial Land (Excluding Land Committed to Retailing) - Wanaka	Error! Bookmark not defined.
Figure 4.17:	Demand Scenarios for Vacant Commercial Land (Excluding Land Committed to Retailing) – Wanaka, Growth to 2021	61
Figure 4.18:	Projected Commercial Accommodation Occupation Rate by Scenario: Wakatipu and Arrowtown	Error! Bookmark not defined.
Figure 4.19:	Projected Commercial Accommodation Occupation Rate by Scenario : Wanaka	64

....continues



Figure 5.1:	Areas for Possible Expansion of the Queenstown Town Centre	70
Figure 5.2:	Total Employment (including direct, indirect and induced effects) Increase under Tourism Driven Scenario 3: Twin Hub Growth to 2021	71
Table 5.3:	Quadruple Bottom Line Evaluation Balance Sheet	73
Figure 6.1:	Queenstown Area Units (2011 Definition) and Queenstown Lake District Zones	77
Figure 6.2:	Wanaka Area Units (2011 Definition) and Queenstown Lake District Zones	77

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INTRODUCTION

1.1 Project objectives & background

1.1.1 The Commission

McDermott Miller was commissioned by Queenstown Lakes District Council (QLDC) to undertake a project that will form part of the review of the Queenstown Lakes District Plan. This project involves 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 study should consider capacity issues for a minimum period of 10 to 15 years.

Project Objectives

According to the RFP the Project Objectives are:

- Provide better understanding of current resource by answering the following research questions:
 - What is the capacity of the different types of zoning?
 - How different are the existing commercial zonings?
 - How much capacity do we require for the next planning period?
 - Do they cater for all the commercial needs?
 - Is there a risk of dispersal of retail and commercial activity adversely affecting key areas such as town centres or creating infrastructural or economic inefficiencies?
- Provide a level of information that is robust and defensible enough to inform planning processes (such as rezoning or defending current zoning levels) through the plan review and beyond and to provide guidance on the appropriateness of applications for private plan change applications seeking commercial zoning or large out of zone commercial activities
- Identify a possible methodology to link existing commercial zones/ subzones into overarching objective/ policy framework.
- Undertake initial consultation with key stakeholders/ developers.
- Develop strategic objectives and policies for the sustainable management of commercial/industrial areas that will help direct/limit private plan change applications and non-complying consent applications.

1.1.2 General Retail Situation

RETAIL PLANNING TRENDS

Retail planning in the past has been dominated by a set of assumptions derived from Central Place Theory. This theory attempts to explain patterns of urbanisation and the spatial distribution of retail services.

The theory consists of two basic concepts:

- **threshold** – the minimum market needed to bring a firm or city selling goods and services into existence and to keep it in business; and,
- **range** - the average maximum distance people will travel to purchase goods and services.



It assumes that consumers act rationally to minimise transportation costs (including time) by going to the closest location for what they are seeking and that retail services will therefore tend to be concentrated in a central location relative to distribution of the local population.

While these assumptions have some validity, a number of factors suggest that retailing no longer conforms completely to this pattern of development.

- **New Forms of Retailing.** To some extent, retail services are becoming aspatial. Alternative routes to traditional retail, in particular web-based retailing, but also catalogues, and TV home shopping are effecting the competitive environment. In New Zealand PriceWaterhouseCoopers (July 2012) estimate that:
 - online shopping expenditure is now \$3.19 billion, or 5.9% of total retail expenditure.
 - the compound annual growth rate of online shopping will be 14.3% by 2016.
- **Increased Mobility.** People are very mobile today. Car ownership is the norm. This means people can travel to a variety of sites, which may not be centralised, if there is an incentive for them to do so.
- **A Two-Tier Physical Retail Market.** Many authorities now refer to the development of a two-tier retail market.
 - The first tier involves comparison retailing and is essentially a leisure activity where shopping is combined with socialising, food and drink within a pedestrian environment (either in a Town Centre or a mall);
 - The second is more functionally focussed, generally dependent on car transportation and involving the acquisition of essential items or capital purchases at supermarkets or bulk retail outlets;
 - Also a diurnal market: day-time fringe shopping centre market; night-time high street leisure market.

Each of these activities has different characteristics and raises different planning issues, which have relevance to the 'QLDC Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy' project.

Retailing and Tourism

The linkage between tourism, leisure and retailing is particularly significant to QLDC. On all weekends, and particularly in peak holiday periods (summer holiday season and winter ski season), visitors are attracted from overseas, the rest of New Zealand and elsewhere in the region. Many stay overnight or longer in the District, and their spending makes a significant contribution to the retail spending power in the District. By day they journey out of the accommodation centres to enjoy Queenstown Lakes' alpine and lake scenery and any out-door recreational opportunities. By night they congregate in the Queenstown Town Centre restaurants, bars and entertainment attractions.

The Large Format Retailing Phenomenon

The wildcard in retail development is Large Format Retailing ("LFR") stores. Relevant questions are whether there is sufficient spend in the District to justify the large increments planned by developers in the District. A further issue to be examined is whether it is possible to determine the location and timing of large format retail development, and how best to do so.

Generally, Large Format Retail stores act as destination shops, attracting their shoppers to their location in a town. While the retailer may be willing to locate on any of a number of sites, the choice may have significance to the community.

- Locations within town centres/CBDs can foreclose other opportunities for intensive retail and commercial development, and result in reduced environmental amenity.



- Locations on the periphery of town centre/CBDs are preferable to edge-of-town sites, in that they maximise the likelihood for “cross-shopping” to the town centre/CBD and less likely to result in “hollowing out” of the retail core.

Generate and Evaluate Retail Development Scenarios

McDermott Miller’s standard approach to retail strategy development is to generate a range of strategic alternatives, and then to evaluate them using a “quadruple bottom line” approach. There will be a broad distinction between the generic alternative of concentration or dispersion. This leads to the identification of a preferred scenario of retail development, with supporting justification for the choice.

in the Queenstown Lakes case, we have projected the amount of residential and tourist retail spending growth that can be expected under a range of economic growth scenarios and allowed for realistic levels of reduction in leakage of residential spending. We have then assessed related projections of additional retail floorspace supportable by this growth

Retail Strategy Implementation

The means of implementing the preferred development scenario have been investigated, with District Plan zoning being the principal regulatory instrument and marketing and land development being the principal non-regulatory instruments

1.1.3 The Queenstown Lakes District Context

There are major Commercial/Retail Issues facing Queenstown Lake District. These ‘issues’ are the impetus for the current Review of Business Zones Capacity. We summarise these issues as follows:

- Queenstown has experienced sustained growth over several decades driven by its popularity as an international and domestic alpine resort. Queenstown Town Centre appears to be about to follow suit.
- Queenstown Town Centre is limited in size; it appears to be near full development, but there is potential for expanding the zone. There is also retail activity in the Gorge Road business zone. Because of the space constraint on Queenstown Town Centre, there are commercial retail initiatives in other locations, chiefly in Frankton Flats:
 - Large format retail development, commercial office development cinema and “pubic amenities” in an expanded (by Plan Change 34) Remarkables Park Shopping Centre.
 - Putative 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.
 - Development of the Shotover Park retail centre with the first stage (consented) being a PAK’nSAVE supermarket and Mitre 10 Mega store to be followed by other “home” stores.
- Beyond this there may be:
 - further development of “Riverside Peninsula” as a visitor accommodation and activity centre.
 - expansion of Five Mile Retail Centre onto Area C1 of Frankton Flats Special Zone (B) (Plan Change 19 land).
 - Ground floor retail in Area C2 of Frankton Flats Special Zone (B).



- As a result of these (mostly) privately initiated plan changes and resource consents, QLDC may be losing control over the spatial pattern and timing of commercial development in the District. To quote the Review's Brief: *"The lack of overarching policy framework for commercial activities and the piecemeal development of new special zones has limited our ability to sustainably manage commercially zoned areas in the current plan"*.
- Queenstown Lakes District's retail and commercial growth has been supported by tourism growth, and by the expansion of permanent resident (and holiday) households. There appears to be concern whether all the commercial/retail developments driven by speculative developers can continue to be supported by this demand growth (refer **Annex I Household Growth**).
- There is potential for "over-capacity", that if all these retail/commercial developments proceed they will be in excess of QLD's needs (or at least will have been developed at a faster rate than is justified by demand growth). One effect of this could be a decline of Queenstown's original town centre if retail tenants are "poached" by other centres. Other effects will be to undermine the sustainability of Queenstown Town Centre.
- Conflicting expert evidence has been presented in Plan Change 19 on the supply of retail/commercial land required to meet future demand growth.
- Any hierarchy of centres that used to exist seems to have been subverted; e.g. the Remarkables Park development even styles itself a "Town Centre".
- There is similar concern in the Council that Wanaka is facing, or could, in future, face the same pressures from developers as is Queenstown.
- Similar commercial and retail development pressures and issues are emerging in Wanaka and if addressed now may avoid or alleviate the difficulties experience by QLDC in Queenstown.

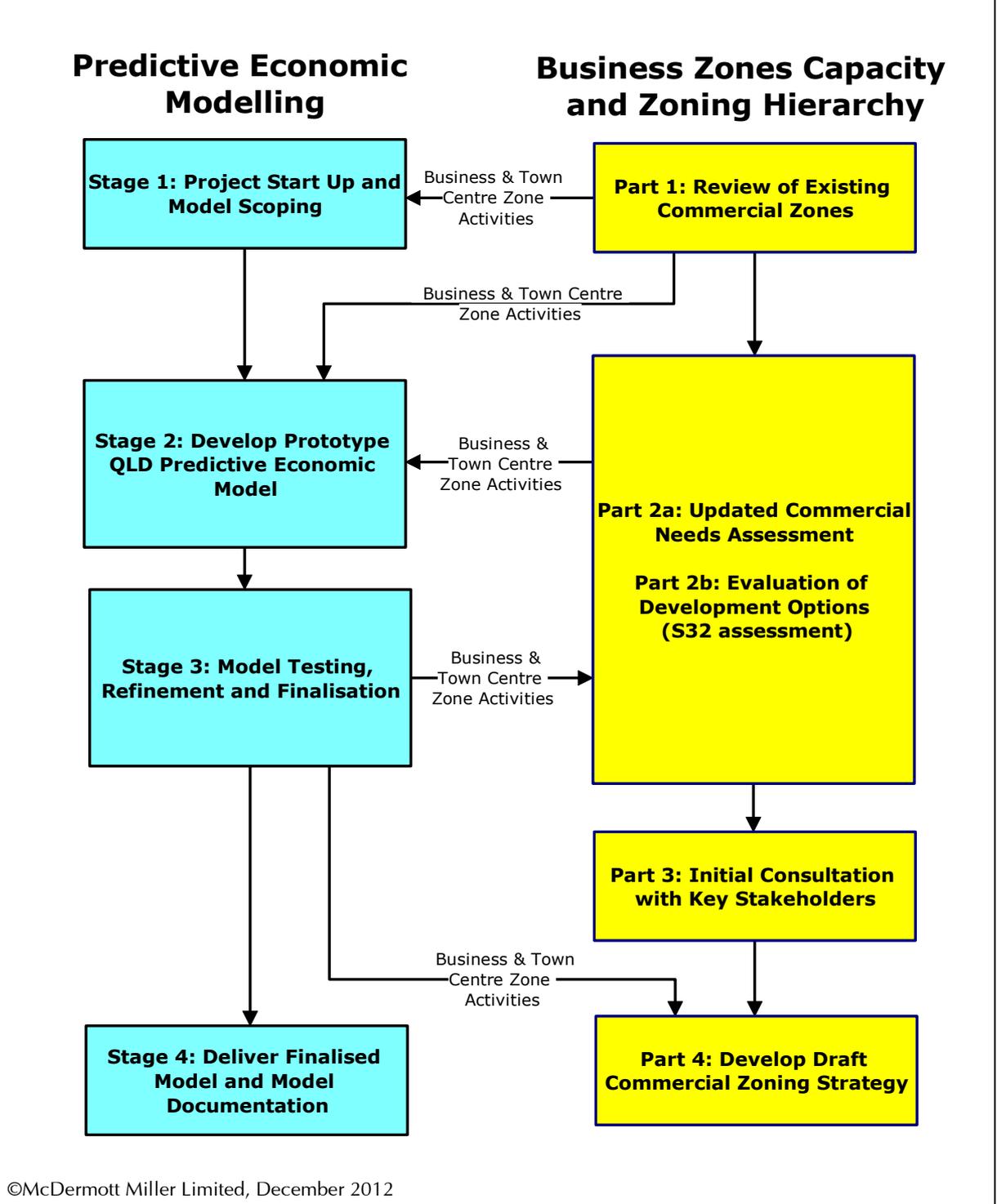
1.2 Outline of McDermott Miller's Approach and Work Programme

Rather than adopt a traditional land use household projection driven planning approach we have generated and evaluated District-wide economic growth scenarios, with household growth being driven by employment growth. This has helped reveal the direction of economic development that will be of most benefit to the community.

Not surprisingly, we find that the past present and future prosperity of Queenstown Lakes District rests heavily on fulfilling the potential of the District's tourism industry and its internationally acclaimed alpine resort.

Our commission for the Business Zones Capacity and Zoning Hierarchy project was combined with a commission to undertake research and development of a “Predictive Economic Model” for Queenstown. By combining both the Predictive Economic Model and the review of the District Plans Business Zones Capacity, costs for data collection, database establishment, and some parts of the analysis were reduced. More importantly, the projects have been linked together, as illustrated in **Figure 1.1** below. In the current report, we cite where we have applied the Queenstown Lakes District Predictive Economic Model.

Figure 1.1: Merged Queenstown Lakes District Projects: Broad Approach





1.3 Outline of Report

This report is in three parts, as follows:

Part I: Current Situation

This is a review of the Queenstown District's economy; beginning in **Section 2** with an outline of the role of the District within the national economy, an outline of the significance of tourism to the District and an overview of trends within the District's economy.

Next, in **Section 3** we turn to the spatial distribution of economic activity across the District, as indicated by employment. The current distribution of retail floorspace and as intended by developers in the future is also presented, along with our estimate of the current supply of commercially zoned land derived from our assessment of commercial land needs .

Part II: Development Prospects and Options

Part II of this report, **Section 4**, generates and evaluates a number of economic growth scenarios for Queenstown Lakes District. We present projections of demand for land zoned for business uses based on population projections and building consents trends. We then evaluate the economic growth scenarios in terms of their effect on retail spending growth and consequent support for new retail floorspace, and compare this with additions to supply intended by developers. We then estimate the demand for commercially zoned land under each scenario, and compare this with the supply of vacant land.

Part III: Evaluation of Development Options

In this part we assess development options for Queenstown Lakes District and evaluate the case for a zoning hierarchy.

In **Section 5**, we compare and evaluate two possible scenarios for commercial-retail development in Queenstown Lakes District; first, if there is no change in Council's policy; and, second if the Council adopts a clear long term strategy to guide and manage economic and urban growth through the District Plan and active management of development.

In **Section 6**, we address strategic initiatives; including the future roles of Queenstown and Wanaka town centres and suburban centres in the District's economic development generally and tourism industry in particular.

In **Section 7** we evaluate the merits of a zoning hierarchy in the Queenstown Lakes District Plan. We suggest District Plan provisions to ensure more sustainable management of centres, and consider other methods that could be used.

Finally, in **Section 8** we present a summary of our conclusions.



PART I: CURRENT SITUATION

Topics Covered In Part I:

- The District's Economy
- Spatial Economy 2012



2 THE DISTRICT'S ECONOMY

2.1 Introduction

In this section we briefly review the economy of Queenstown Lakes District as a whole. First we consider the economic role of the District within the national economy, and then examine the significance of tourism to the District's economy in particular. We then outline trends in the District's economy, as indicated by employment data in particular.

2.2 Economic role of Queenstown Lakes District

The Queenstown Lakes District economy is a small part of the New Zealand economy, but its position as New Zealand's premier alpine tourist destination means it is a major part of New Zealand's tourism industry both in terms of the visitors it draws to the country and as a key international representative of the nation's wider tourist offering in the international market.

Estimated Size of the District Economy

Based on the limited information available to us, we estimate the Queenstown District economy, which had around 16,500 jobs as at 30 June 2012, contributes around \$1.4 billion pa to the national Gross Domestic Product (about 0.7% of the total New Zealand economy). It's estimated population of 29,200 as at 30 June 2012 or around 0.65% of the New Zealand population.

However, the character of the Queenstown Lakes District economy is markedly different from the New Zealand economy as a whole. The District economy is driven by its tourist sector. Tourism is important throughout the District from Queenstown Centre to Wanaka, Arrowtown, Cardrona and all the attractions, activities and services which contribute to its competitive advantage.

Statistics New Zealand's Tourism Satellite Accounts show domestic and international tourism contributed an estimated 8.6% to national GDP. In contrast tourism contributes around 35% of the District's Gross District Product. In other words, tourism is relatively four times larger in the Queenstown Lakes District Economy, than it is to the New Zealand economy.

This is illustrated by the District's employment structure which is summarised below.

Employment Structure

The principal sectors of the District's economy (as measured by Statistics New Zealand's business demographic data) are:

- **Tourism.** Around 48% of the jobs (about 7,900 as at 30 June 2012) in the Queenstown Lakes District are tourism characteristic, including accommodation, cafes, bars, restaurants, transport services, attractions and activities. Job numbers peaked in the 2007 year and fell through to 2010 before climbing to a new peak in the year ended 30 June 2012;
- **Retailing** (excluding tourism related retailing). This is the next largest sector of the District economy, having around 2,000 jobs or 12% of all jobs in the District. However retailing has only added 85 jobs between 2007 and 2011;



- **Construction.** Construction had around 1,600 jobs or 10% of all jobs in the District. However jobs in the construction sector are running around 25% below their 2008 year peak of 2,150 and job numbers continue to fall.
- **Business services** (legal and accounting, management, financial intermediation and other consulting services). Currently around 1,000 jobs (7% of all jobs in the District) in the Queenstown Lakes economy, about 10% below its 2010 peak.
- **Education.** Jobs in the education sector have grown consistently over the last five years and faster than any other sizeable sector in the Queenstown Lakes economy. There were around 700 jobs in the education sector in the 2012 year, up 46% from 475 jobs in 2007. In aggregate, these five sectors account for around 80% of all jobs in the District economy, about the same proportion they comprised five years earlier. The most significant “shifts” in the sector share of jobs over this period have been the decline in construction jobs (400) and the rises in tourism (430) and education jobs (220).

Gross Output and Value Added

On the other hand we estimate these five sectors accounted for around 57% of the gross output of the Queenstown Lakes District. Furthermore, while tourism and construction are both large employment sectors in the economy (around 58% combined) and the greatest contributors to gross output of the economy (40%-42%), neither education or retailing are major sectors of the District economy in terms of contribution to value added to the District economy. Although manufacturing is very fragmented in Queenstown Lakes, it does contribute 50% more than retailing (7.5% to 5% respectively) to the value added to the economy, as does real estate investment (around 8%). Comparison of the manufacturing and real estate sectors to education shows an even greater relative difference (8% by real estate, 7.5% by manufacturing and 1% by education).

Contributions by all farming (horticulture, viticulture, dairying, livestock, cropping), forestry and logging is also fragmented and amounts to around 3% of gross output per annum. Mining and quarrying contributes around 0.3% of gross output. These industry sectors are therefore of minor significance to the District economy.

Growth

Growth of the Queenstown Lakes economy, unlike growth in the New Zealand economy, is largely dependent on growth in tourism in the District. While the economic situation within New Zealand will drive domestic tourism, the opportunities for real future growth lie in increased international tourism. This makes the international environment and how effectively Queenstown Lakes District positions itself within it relatively far more important than variations in visitors from a relatively flat New Zealand economy in the long term.

Faster job growth is likely to arise from increased investment in industries where Queenstown Lakes District has significant competitive advantage, such as tourism, and other services (e.g. education), or there is significant local demand (e.g. a resurgence in residential construction), rather than through almost start-up investment in traditional producing industries (e.g. manufacturing) where the District has little (if any) competitive advantage compared with producers in other locations.

Given the District’s existing competitive advantage in tourism it is likely more investment in strengthening the quality and scope of tourist attractions, facilities and services (“intensification”) will result in greater returns than in other industries.

Section 2.3 below extends this analysis by examining the commercial roles of the centres within the District economy by reference to current estimated commercial floorspace and employment, and evaluates the significance of tourism to the District economy.



2.3 Significance of tourism to the Queenstown Lakes District economy

2.3.1 Tourism share of employment

In this report industries are grouped as “Tourism Characteristic”, “Tourism Related”, and Non-Tourism Related “industries”, based on the practice of Statistics NZ’s Tourism Satellite Accounts (refer **Table 2.1**).

The “Non-Tourism Related Industries” mean industries in which direct spending by tourists are at most a minor part of revenue. However, they include businesses that are depend on tourism indirectly, eg business services companies whose clients are tourism-characteristic or tourism-related industries. They also include businesses which receive income from households which depend on tourism for their incomes.

Table 2.1: Classification of Industries

Industry
Tourism-characteristic industries
Accommodation
Food and beverage services
Road, rail, and water passenger transport
Air transport
Other transport, transport support and travel and tour services
Rental and hiring services
Arts and recreation services
Recreational Good Retailing
Tourism-related industries
Retail trade of other personal goods
Education and training
All non-tourism-related industries
Retail trade of hardware & other household goods
All other industries

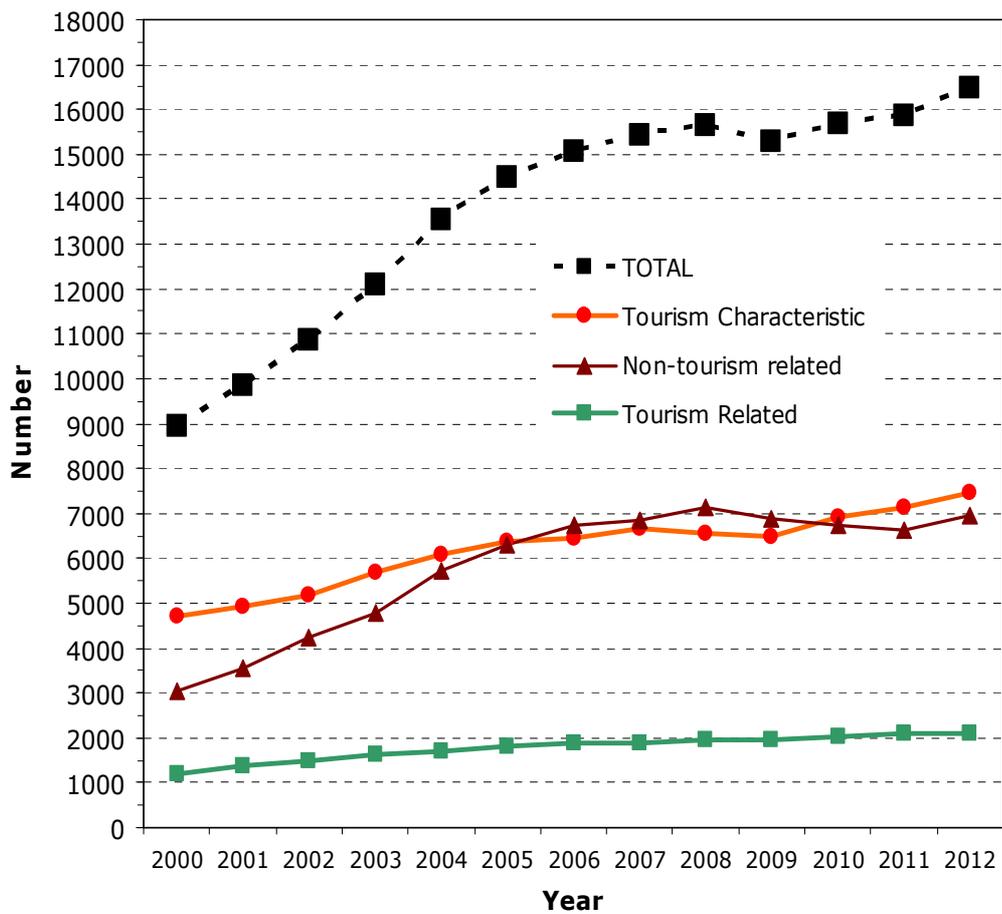
Source: Based on Statistics Tourism Satellite Account 2012. McDermott Miller reallocated retail industries between the three categories to suit the Queenstown Lakes District’s circumstances, ie retailing of recreation equipment is “tourism characteristic” in the Queenstown context.

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- Total employment in **Queenstown Lakes District** stood at some 16,492 in February 2012 (**Figure 2.1** below). This is 84% up from 8,947 in 2000.
- Employment in tourism characteristic industries was 7,445 in 2012, up 58% from 4,711 in 2000 (**Figure 2.2**).
- Employment in tourism related industries was 2098 in 2012, up 75% from 1,199 in 2000.
- Employment in Non-tourism related industries was 6,949 in 2012, up 129% from 3,037 in 2000.

Figure 2.1: Employment Growth: Queenstown-Lakes District

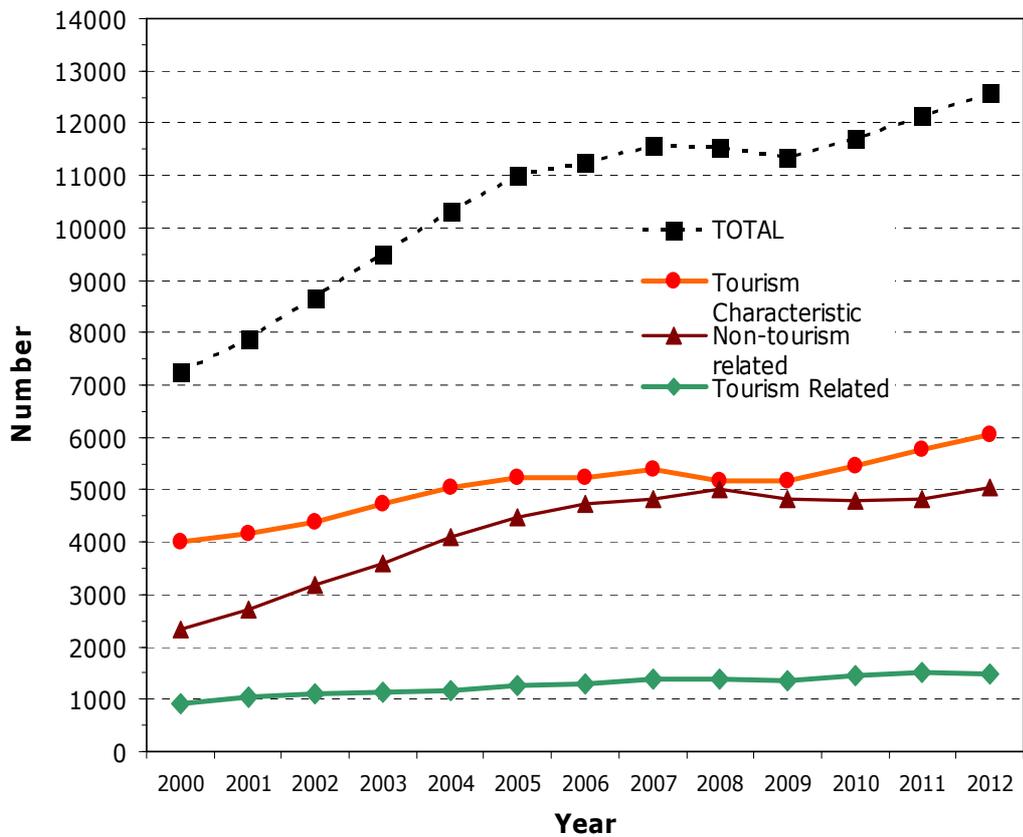


Source: Compiled by McDermott Miller based on Statistics NZ Business Demography statistics
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- Total employment in Wakatipu-Arrowtown in February 2012 was some 12,583 in 2012 (Figure 2.2). This is 73% up from 7,263 in 2000.
- Employment in tourism characteristic industries was 6,058 in 2012, up 51% from 4,016 in 2000 (Figure 2.2).
- Employment in tourism related industries was 1,476 in 2012, up 59% from 926 in 2000.
- Employment in Non-tourism related industries was 5,049 in 2012, up 118% from 2,321 in 2000.

Figure 2.2: Employment Growth: Wakatipu-Arrowtown

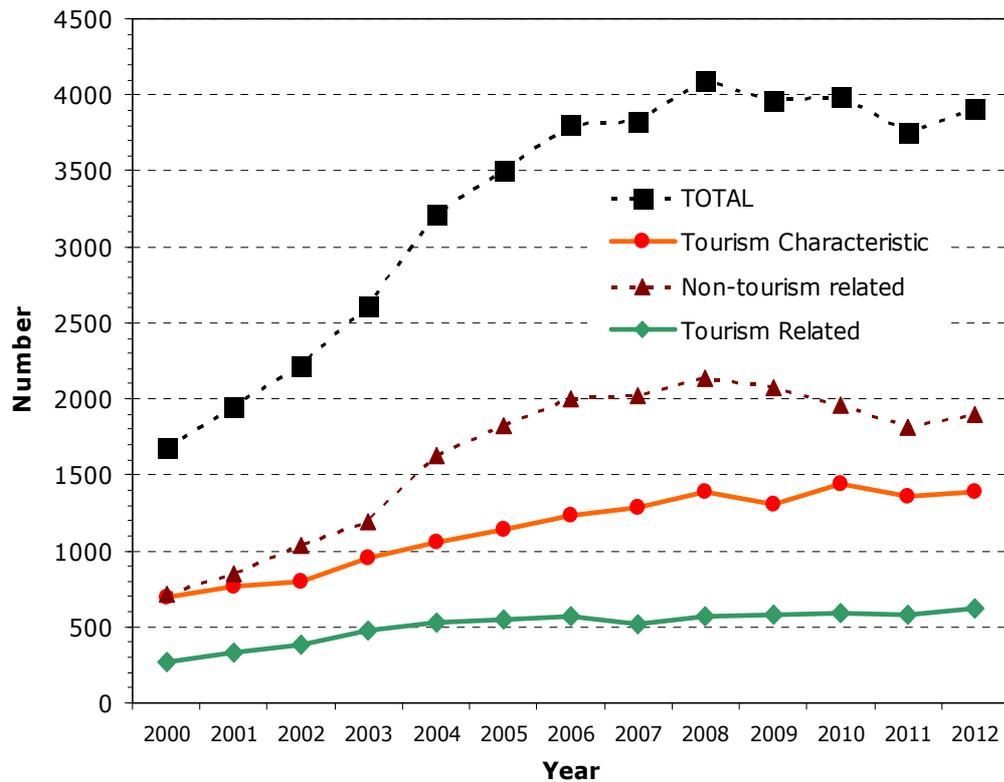


Source: Compiled by McDermott Miller based on Statistics NZ Business Demography statistics
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- Total employment in Wanaka ward in February 2012 stood at some 3,909 in 2012 (**Figure 2.3**). This is 132 % up from 1,684 in 2000.
- Employment in tourism characteristic industries was 1,387 in 2012, up 100% from 695 in 2000 (**Figure 2.3**).
- Employment in tourism related industries was 622 in 2012, up 128% from 273 in 2000.
- Employment in Non-tourism related industries was 1,900 in 2012, up 165% from 716 in 2000.

Figure 2.3: Employment Growth: Wanaka

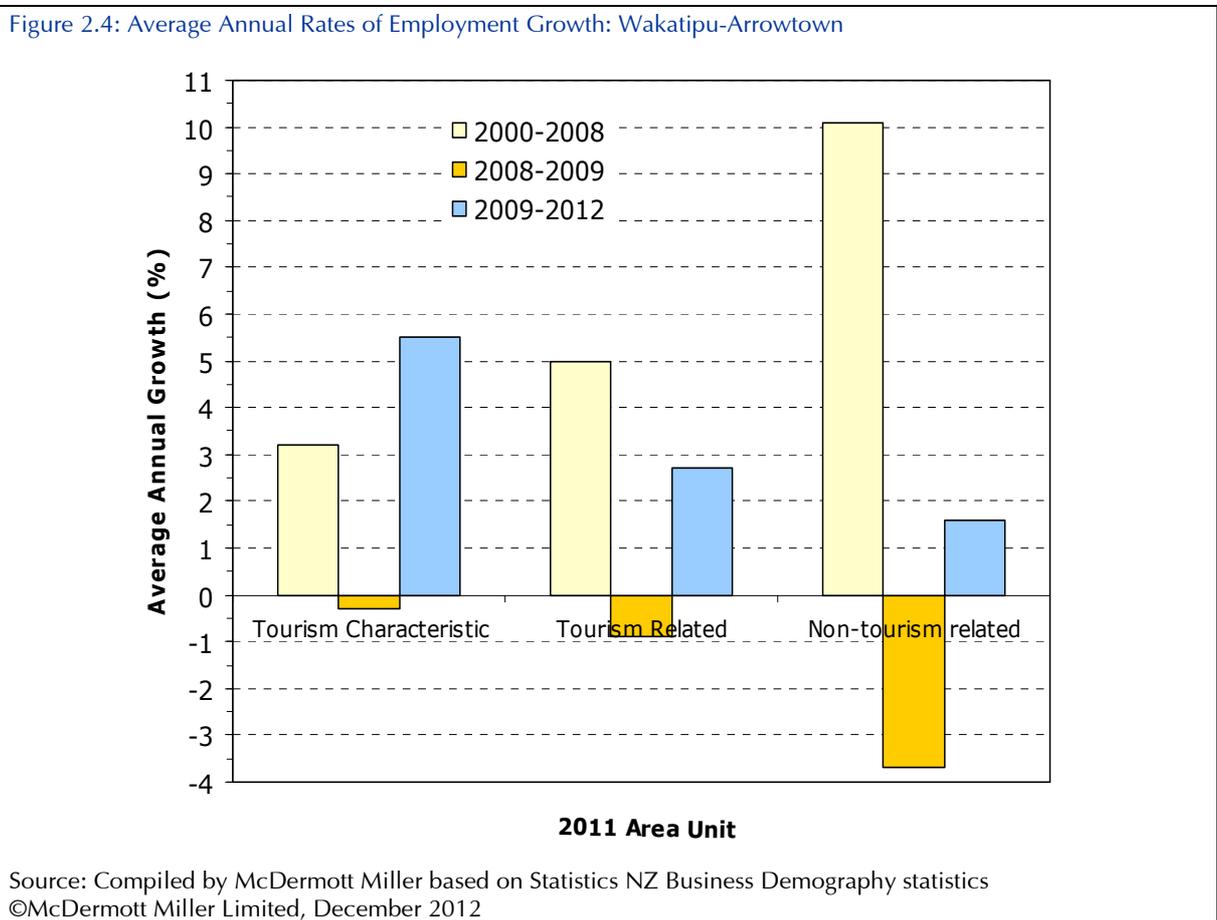


Source: Compiled by McDermott Miller based on Statistics NZ Business Demography statistics ©McDermott Miller Limited, December 2012



Average annual rates of growth over the three sub-periods within the overall 2000-12 periods are compared in **Figure 2.4** and **2.5** for Wakatipu-Arrowtown and Wanaka respectively, for the three industry groups. The three sub-periods are 2000-2008, the period of the international financial crisis of 2008-2009 and the recovery thereafter (2009-2012).

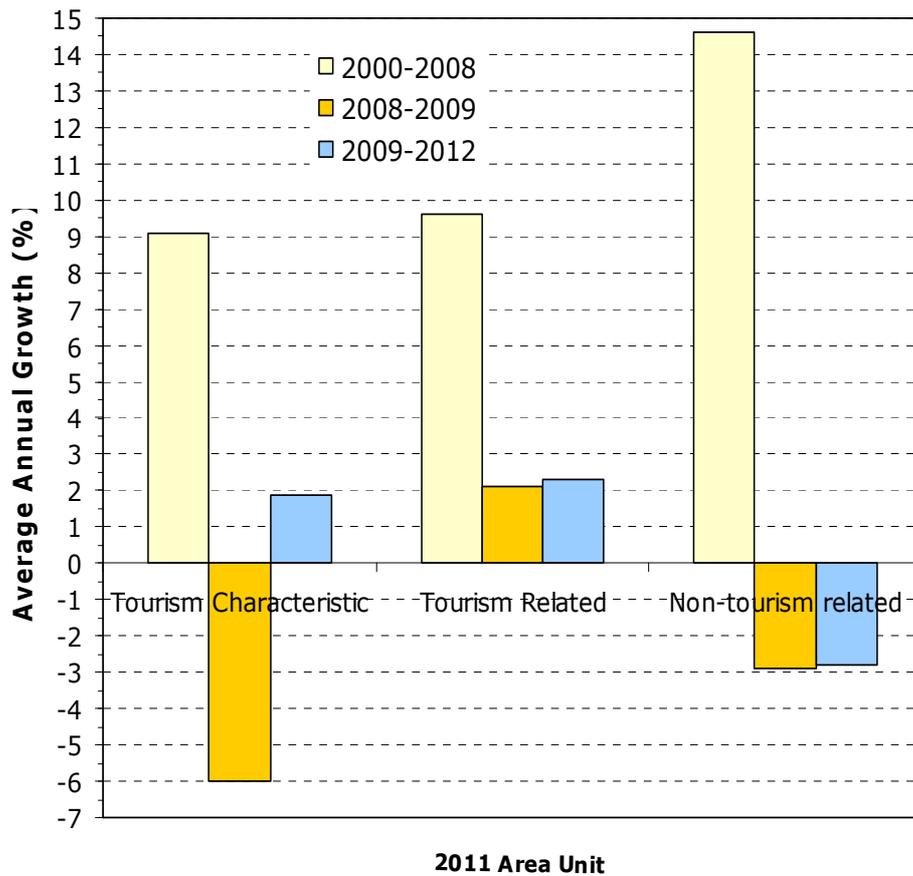
- In Wakatipu-Arrowtown, employment in tourism characteristic industries grew steadily over the 2000-08 period at an average of some 3.2% p.a, then contracted slightly over 2008-2009 and has recovered strongly at 5.5% p.a. over 2009-12.
- Employment in tourism related industries grew strongly over the 2000-08 period at an average of 5% p.a, then contracted over 2008-2009 and has resumed growth over 2009-12 at the reduced rate of 2.7%.
- Employment in non-tourism related industries grew very strongly over the 2000-08 period at an average of 10.1% p.a, then contracted 3.7% over 2008-2009 and has grown relatively slowly over 2009-12 of 1.8% p.a.





- In Wanaka, employment in tourism characteristic industries grew strongly over the 2000-08 period at an average of some 9.1% p.a, then contracted slightly over 2008-2009 and has grown relatively slowly at 1.9% p.a. over 2009-12 (Figure 2.5).
- Employment in tourism related industries also grew strongly over the 2000-08 period at an average of 9.6% p.a, and has grown more slowly since (2.1% over 2008-9 and 2.3% over 2009-12).
- Employment in non-tourism related industries grew extremely strongly over the 2000-08 period at an average of 14.6% p.a, but has contracted since at -2.9%,

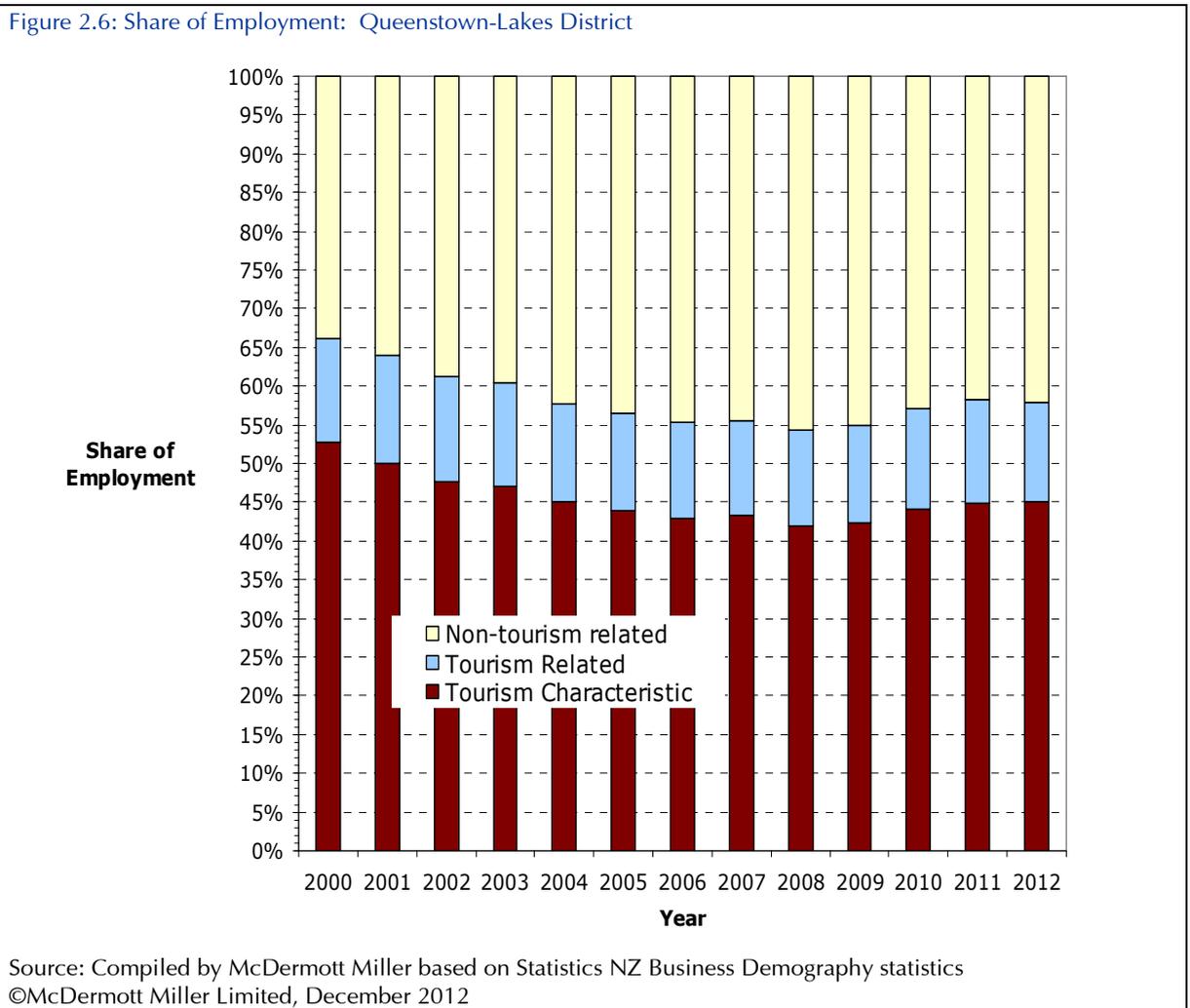
Figure 2.5: Average Annual Rates of Employment Growth: Wanaka



Source: Compiled by McDermott Miller based on Statistics NZ Business Demography statistics
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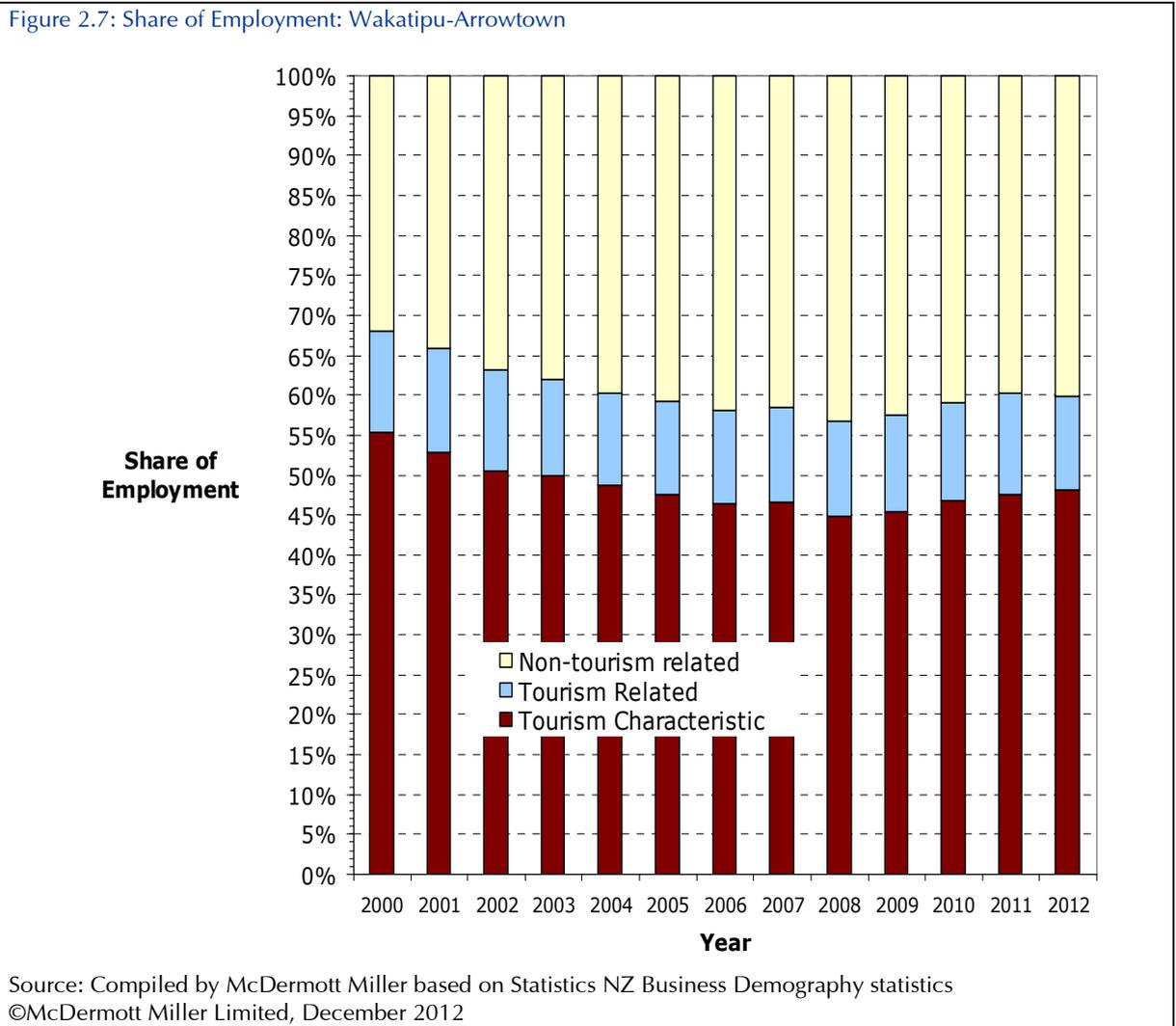
Figures 2.6-2.8 show the effects of the changes on the industry mix within the District; they show the percentage of employment held by each industry group in the Queenstown Lakes District, Wakatipu-Arrowtown and Wanaka respectively.

- The share that tourism-characteristic industries have of total employment in the District’s economy declined from 52.7% in 2000 to a minimum of 42.0% in 2008 (Figure 2.6) but has since increased again to 45.1% in 2012;
- Conversely the share non-tourism related industries’ share of employment increased from 33.9% in 2000 to a maximum of 45.6% in 2008, and has since declined to 42.1%.





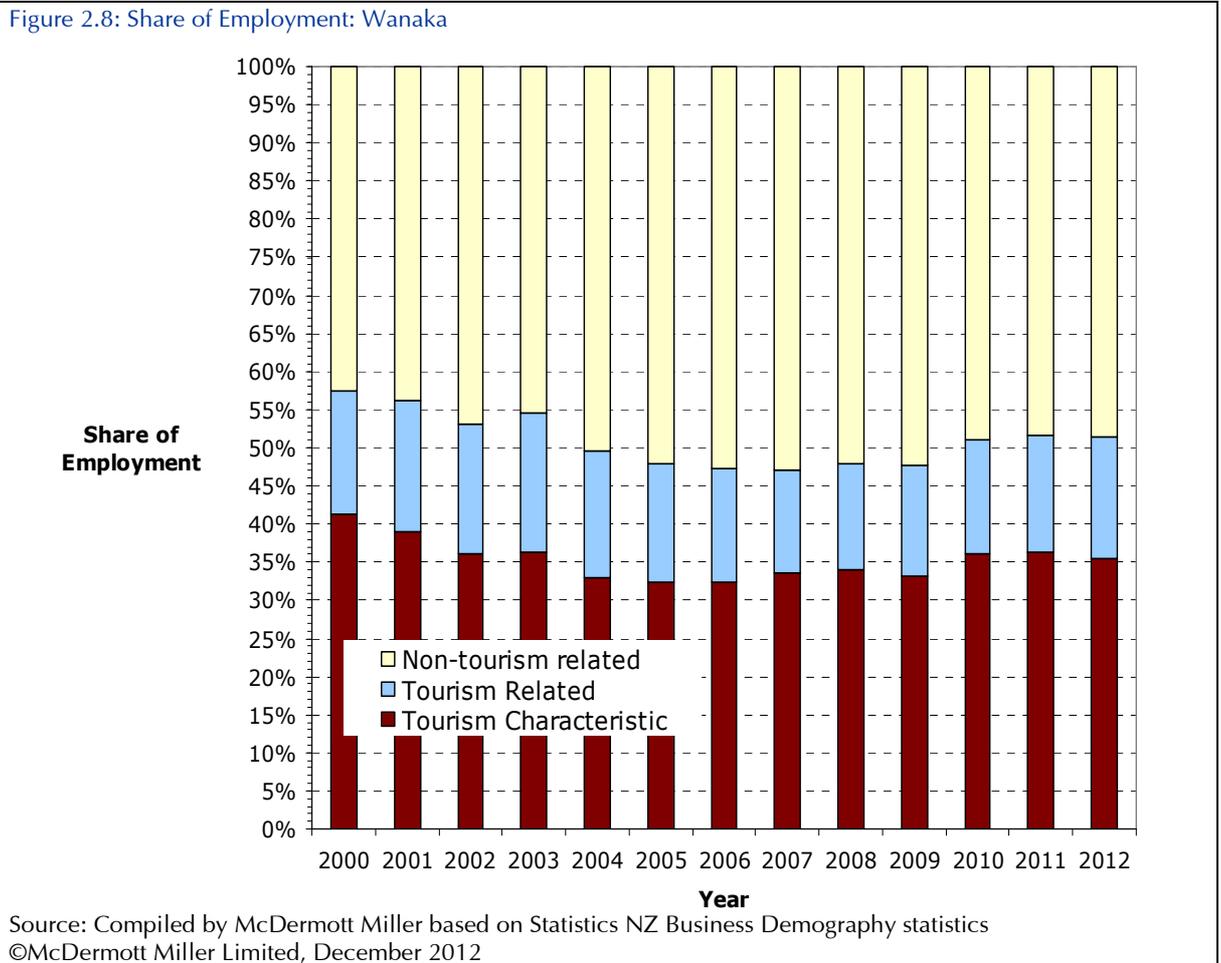
- The share that tourism-characteristic industries have of employment in Wakatipu-Arrowtown fell from 55.3% in 2000 to a minimum of 44.8% in 2008 (**Figure 2.7**) but has since increased again to 48% in 2012;
- The share that non-tourism related industries have of employment increased from 32.0% in 2000 to a maximum of 43.3% in 2008, and has since declined to 40.1%.





The share that tourism-characteristic industries have of employment in Wanaka fell from 41.3% in 2000 to a minimum of 33.1% in 2009 (**Figure 2.8**) but has since increased again to 35.5% in 2012;

- The share that non-tourism related industries have of employment increased from 42.5% in 2000 to a maximum of 52.2% in 2009, and has since slipped back to 48.6%.



2.4 Trends in the Queenstown Lakes District economy

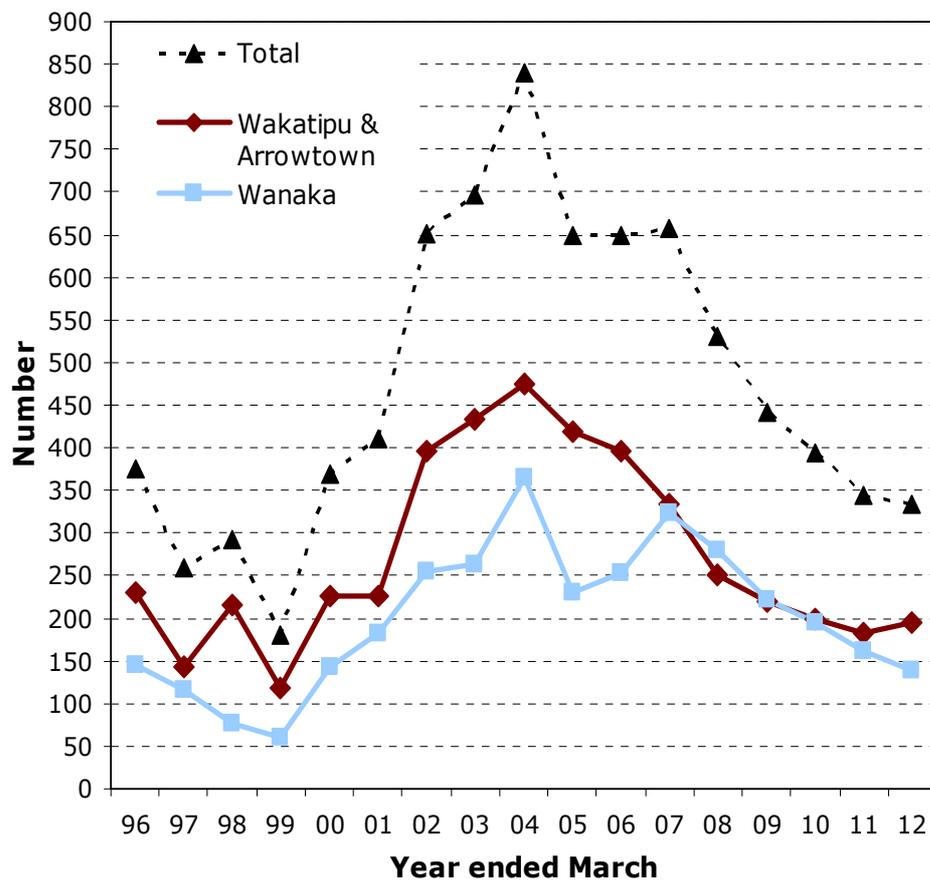
2.4.1 Slowing growth in both tourism and residential development

Residential Building Consents

Figure 2.9 below shows number of new residential building consents for March Years 1996-2012.

- New building residential consents peaked at 839 units in March Year 2004, of which 474 were in Wakatipu-Arrowtown and 365 were in Wanaka ward.
- In contrast, the March Year residential building consents with 333 for the District as whole (down 60% from the 2004 peak). In Wakatipu-Arrowtown there were 194 residential building consents (down 59% from the peak, and in Wanaka there were 139 (down 62% from the peak).

Figure 2.9: Residential Building Consents: Number of Houses, Units, Apartments



Source: Statistics NZ Building consents statistics
 Note: Does not include outbuildings – garages, sleepouts, etc.
 ©McDermott Miller Limited, December 2012

TOURISM TRENDS

Visitor Nights

Figure 2.10 below illustrates trends in visitor nights in Wakatipu- Arrowtown (ie the Destination Queenstown RTO area)

- Estimated Domestic Visitor Nights continue to growth steadily. There were an estimated 1.17 million in 2011. Average annual growth over the five years to 2011 was 4.4%.
- Australian visitor nights were 662,000 in 2011. Average annual growth since 2006 was 4.5%.
- In contrast, visitor nights from the “Rest of the World” were 1.24 million in 2011, down from a peak of 1.44 million in 2006. Note that visitor nights from source were in decline even prior to the 2008 international financial crisis.

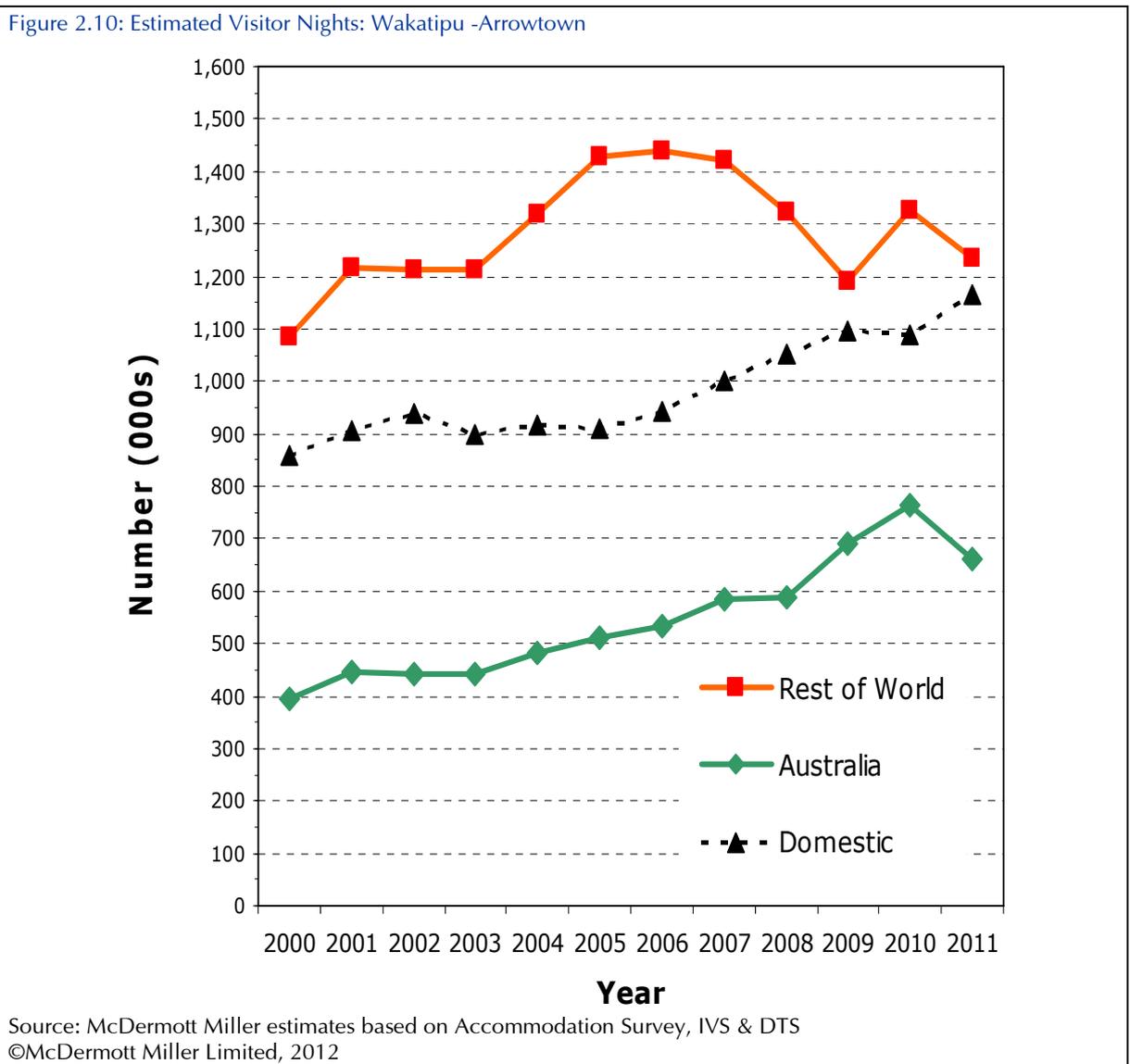


Figure 2.11 below illustrates trends in visitor nights in Wanaka Ward (ie the Lake Wanaka Tourism area):

- Estimated Domestic Visitor Nights are growing steadily. There were an estimated 399,000 in 2011. Average annual growth over the five years to 2011 was 7%.
- Australian visitor nights were 136,000 in 2011. Average annual growth since 2006 was 6.8%.
- In contrast, visitor nights from the “Rest of the World” were 354,000 in 2011. In contrast to Wakatipu-Arrowtown, 2011 visitor nights have recovered and are now above pre-financial crisis peak recorded in 2007.

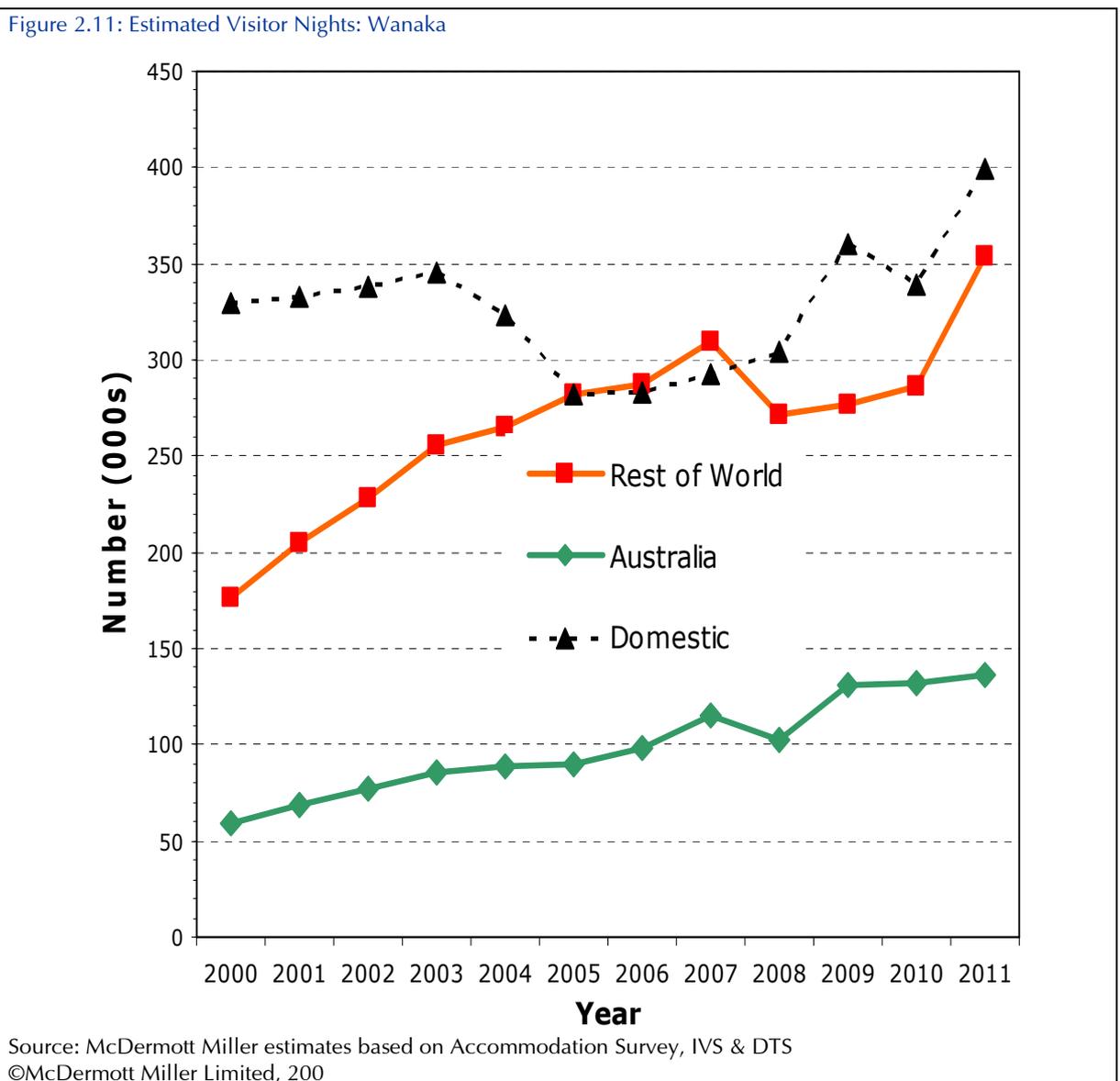
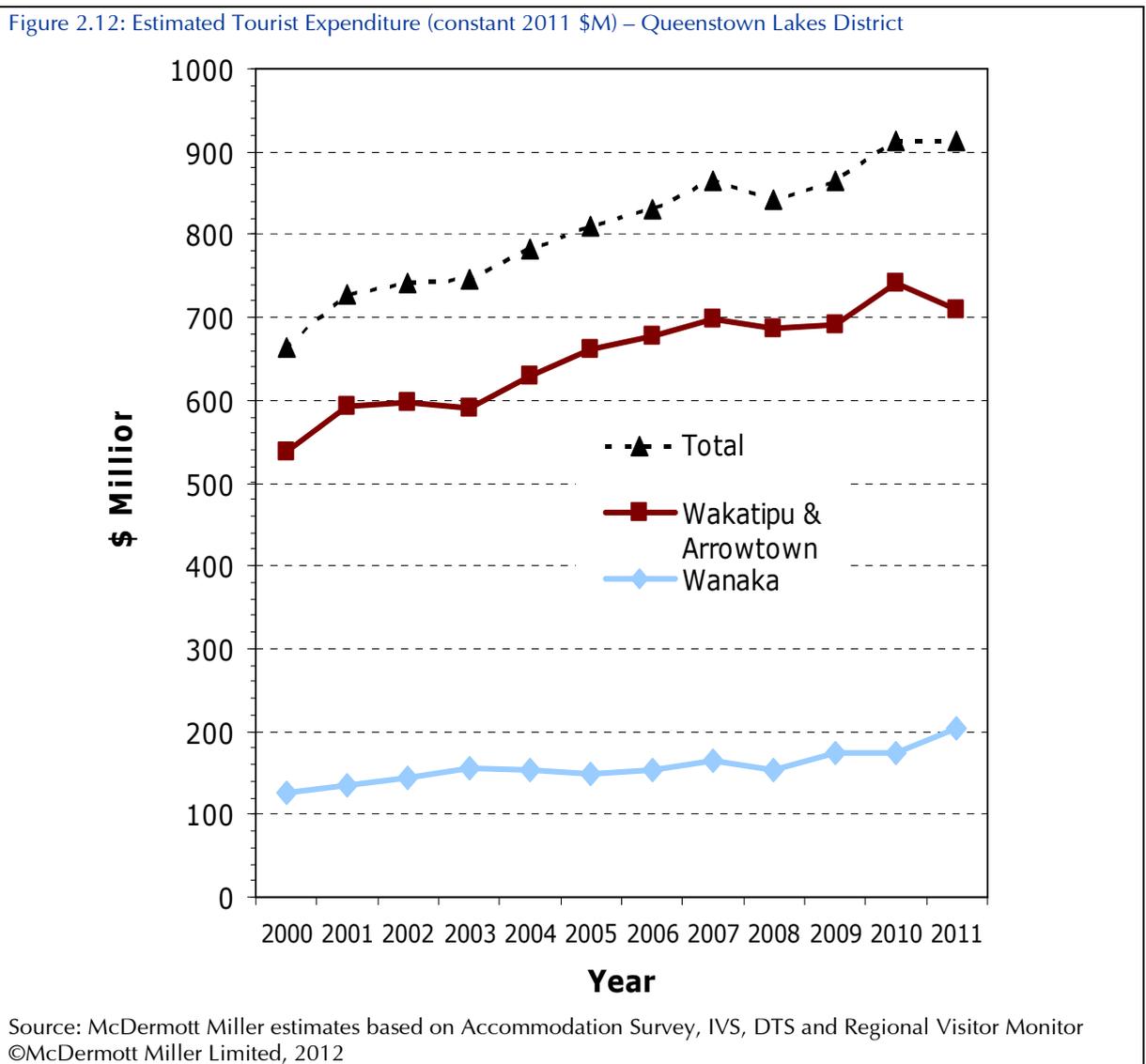


Figure 2.12 below illustrates trends in estimated tourist expenditure nights in Queenstown Lakes District and its constituent RTO areas.

- Tourist expenditure in the District as a whole is estimated to be \$913 million in 2011. Real annual average growth since 2006 is estimated to be 1.9%.
- In Wakatipu-Arrowtown tourist expenditure in 2011 is estimated to be \$710 million, or 78% of the District total. Australian visitor nights were 136,000 in 2011. Average annual real growth since 2006 was 1%.
- Tourist Expenditure in Wanaka is estimated to be \$203 million, or 22% of the District total. Average annual real growth since 2006 was 5.8%.



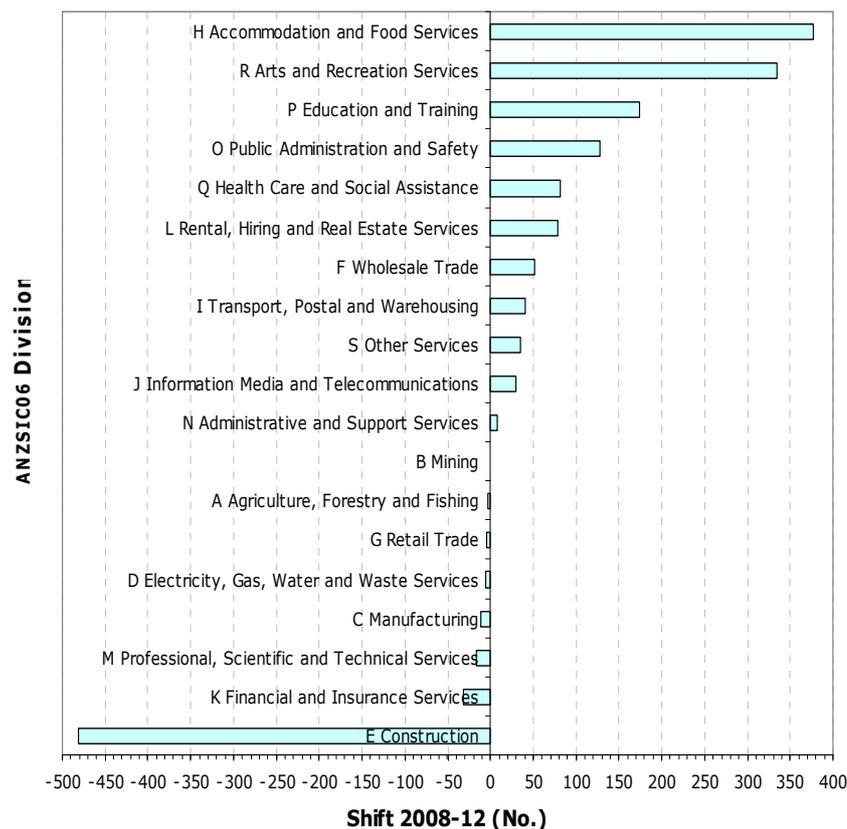
2.4.2 Industries that are growing and shrinking as indicated by employment data

Figure 2.13 illustrates the industries which have grown or contracted over the four years to February 2012 in Queenstown Lakes District

- The accommodation and food services sector (which included restaurants) grew by 377 jobs over this period.
- Arts and Recreation services, which includes tourist activities and attractions, grew by 334 jobs.
- The top two sectors, both part of the tourism sector, contributed 84% of total net growth over the period (845 jobs).
- Education and training contributed a further 174 jobs, or 21% of the total.
- In contrast, employment in construction fell by 481 jobs
- and financial and insurance services fell by 32 jobs.

Figure 2.13 reinforces the point that Queenstown Lakes District's economy remains dependent on tourism and there is little evidence of diversification in the economy

Figure 2.13: Shift in Employment by Sector 2008-2012 - Queenstown Lakes District



Source: Statistics NZ Business Demography compiled by McDermott Miller
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2.5 Conclusion to Section 2

- The above analysis of economic trends provides support for the view that the Queenstown Lake's District economy has become more diversified, in the sense that non-tourism related industries now, compared with 2000, comprise a larger share of the District's economy.
- However, this trend has reversed since 2008. For example, employment in construction peaked at 1,833 in 2008, and has fallen to 1,352 (down 481 jobs, or 26%) in 2012. In contrast employment in tourism-characteristic industries is growing faster than in non-tourism related industries.
- An emerging "base industry" may be Education and Training. Employment in this was 720 in 2012, up 174 jobs or 24% since 2008.
- We have found little evidence of other growing "base" industry (ie with markets chiefly outside the District) with clear potential to supplement tourism as a significant "base" industry for the district.

Size of Tourism Industry in Wakatipu-Arrowtown

- There are some 775 businesses in "Tourism Characteristic" industries in the Wakatipu-Arrowtown area, where "Tourism Characteristic" industries include accommodation, cafes/restaurants/bars, activities and attractions, road passenger and sightseeing transport, air transport, motor vehicle hire, and recreational goods retailing and hiring. This accounts for 18% of businesses in the area. However, the 5780 people employed in these businesses constitutes 48% of employment in the area.

Size of Second-largest industry in Wakatipu-Arrowtown

- The Retail industry can perhaps be considered the second-biggest industry in the area, as it employees some 1,400 workers (not including recreational goods retailing that, in Queenstown Lakes District, we consider to be a "tourism characteristic" industry). However, some 1,100 of these workers are in types of retailing that are "tourism related", ie benefit significantly from tourists' spending.
- The construction industry is another major employer, with some 990 workers and is perhaps the largest industry that is not directly "tourism related", although its activity is dependent on demand for second homes as well as for permanently occupied homes.
- The agriculture/horticulture sector and downstream industries in the Destination Queenstown area which depend on inputs from this sector (most significantly winemaking) accounts for only some 335 jobs, or some 8% of total employment in the area.

In **Section 3** we turn to the spatial distribution of economic activity in the District.



3 SPATIAL ECONOMY - 2012

3.1 Introduction

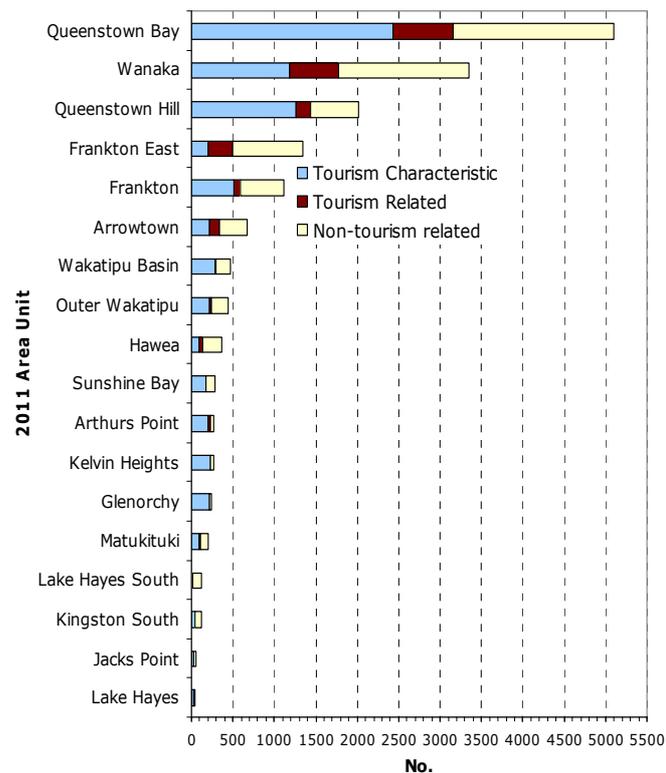
In this section we reveal the spatial distribution of economic activity across the Queenstown Lakes District. We outline the economic roles of the District's centres and then compare the distribution of jobs with the distribution of population. We then focus on the current distribution of retail supply, at present and if developers' intentions are realised. Finally, we present estimates of the District's current supply of vacant commercially zoned land.

3.2 Economic roles of the centres within Queenstown Lakes District

3.2.1 Employment by Area Unit

- This sub-section considers employment across the District by Area Unit (2011 definitions). Maps of these area units, showing their correspondence to District Plan Zones, are presented in **Annex V**. The highest concentration of employment in tourism characteristic industries in Queenstown Bay Area unit, which contains most of the Queenstown CBD and all the Gorge Road commercial centres (2,435 or 32.7% of the District total (**Figure 3.1**).
- The area unit also has the highest number of jobs in tourism related industries (731, or 34.8% of the District total), and in non-tourism related industries (1,929 or 27.8% of the District total) (**Figure 3.2**).
- Wanaka area unit also has a major concentration of non-tourism related employment (1,579 jobs or 22.7% of the District total) (**Figure 3.2**).
- Queenstown Hill (17%) and Wanaka (16%) have similar shares of Tourism Characteristic employment (**Figure 3.2**).
- Frankton East¹ area unit includes both the Remarkables Park and Glenda Drive employment centres. This has 845 jobs in non-tourism related industries (12.2% of the District total) and 299 jobs in tourism related industries (14.3% of the total) (**Figure 3.2**).

Figure 3.1: Distribution of 2012 Employment by Area Unit (2011 definitions) Sorted by Total Employment



Note: Area Units are sorted in descending order of total employment.

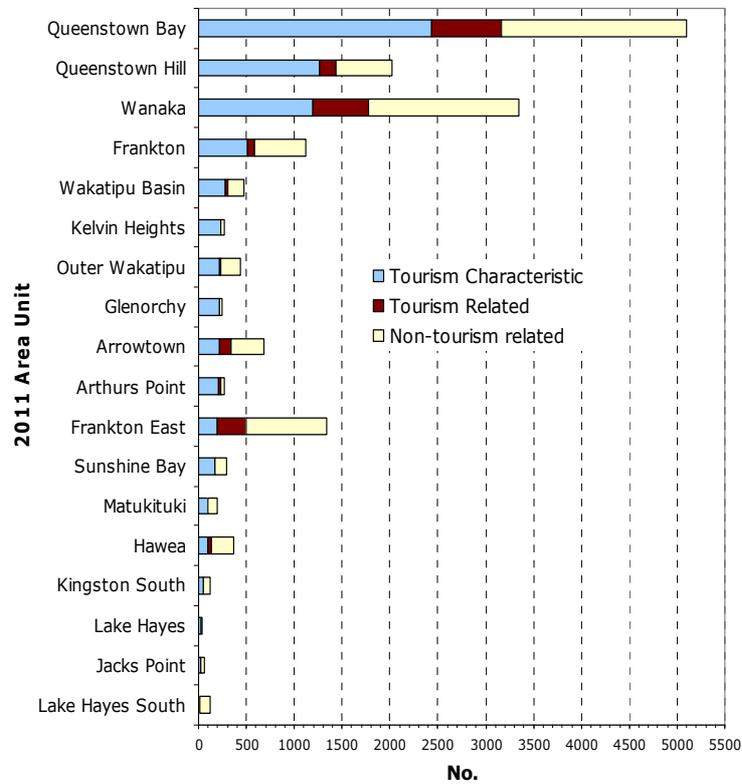
Source: Compiled by McDermott Miller based on Statistics NZ Business Demography statistics.

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¹ Franklin East is newly defined area unit; it along with Kingston South, Wakatipu Basin, Lakes Hayes and Jacks Point and Outer Wakatipu were split from the 2006 Wakatipu Area Unit.



Figure 3.2: Distribution of 2012 Employment by Area Unit (2011 definitions) Sorted by Tourism Characteristic Industries Employment

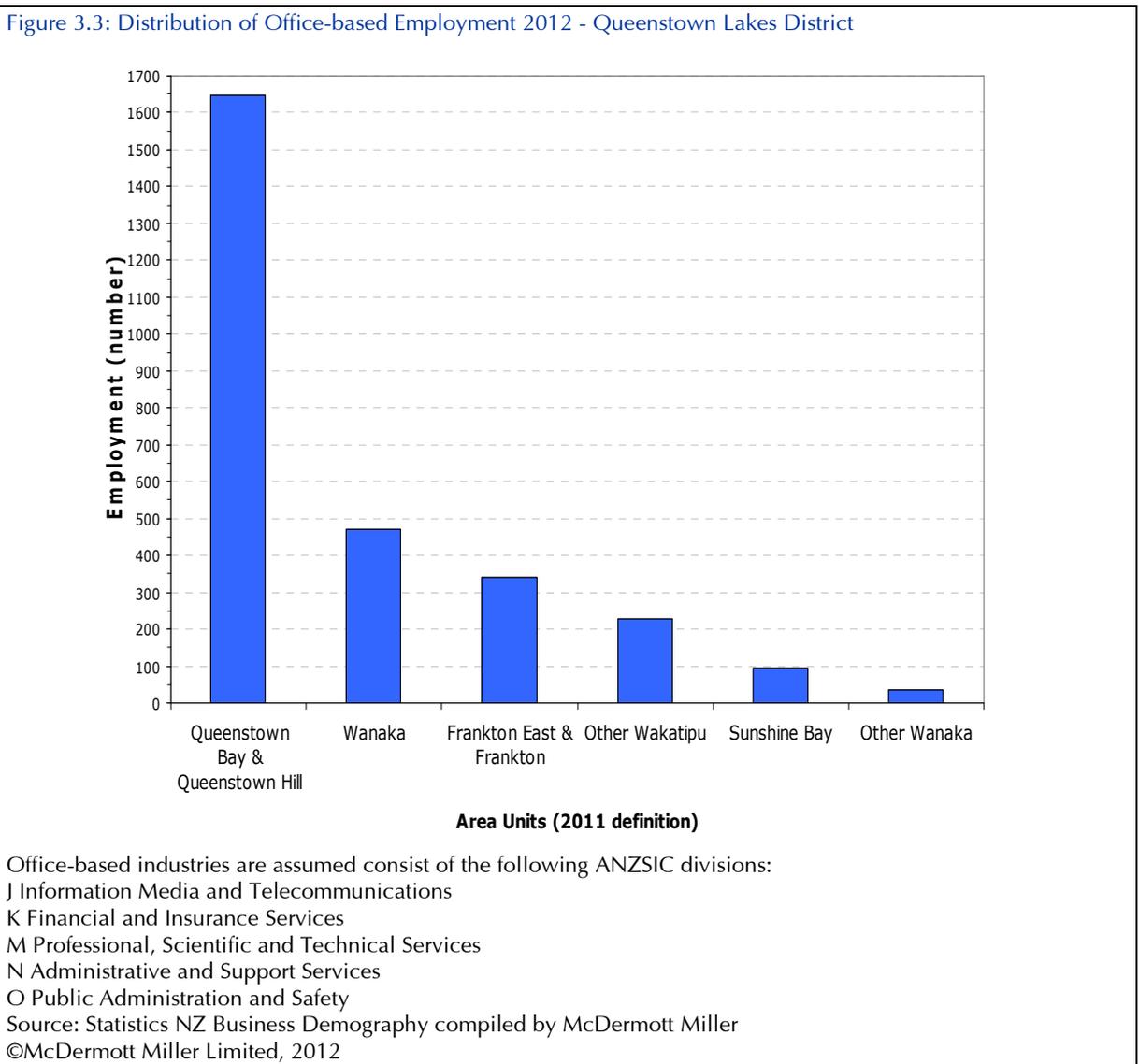


Note: Area Units are sorted in descending order of employment in tourism characteristic industries.
 Source: Compiled by McDermott Miller based on Statistics NZ Business Demography statistics.
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3.2.2 Distribution of Office Based Employment

- Office-based employment is also concentrated in central Queenstown (including the Queenstown CBD and Gorge Rd employment areas (**Figure 3.3**).
- The area unit Queenstown Bay and Queenstown Hill, which cover this area, have some 1650 office-based jobs, or 59% of the District total.
- This is followed by Wanaka, with 470 jobs (17% of the District total) and;
- Frankton and Frankton East combined, with 340 (12%)

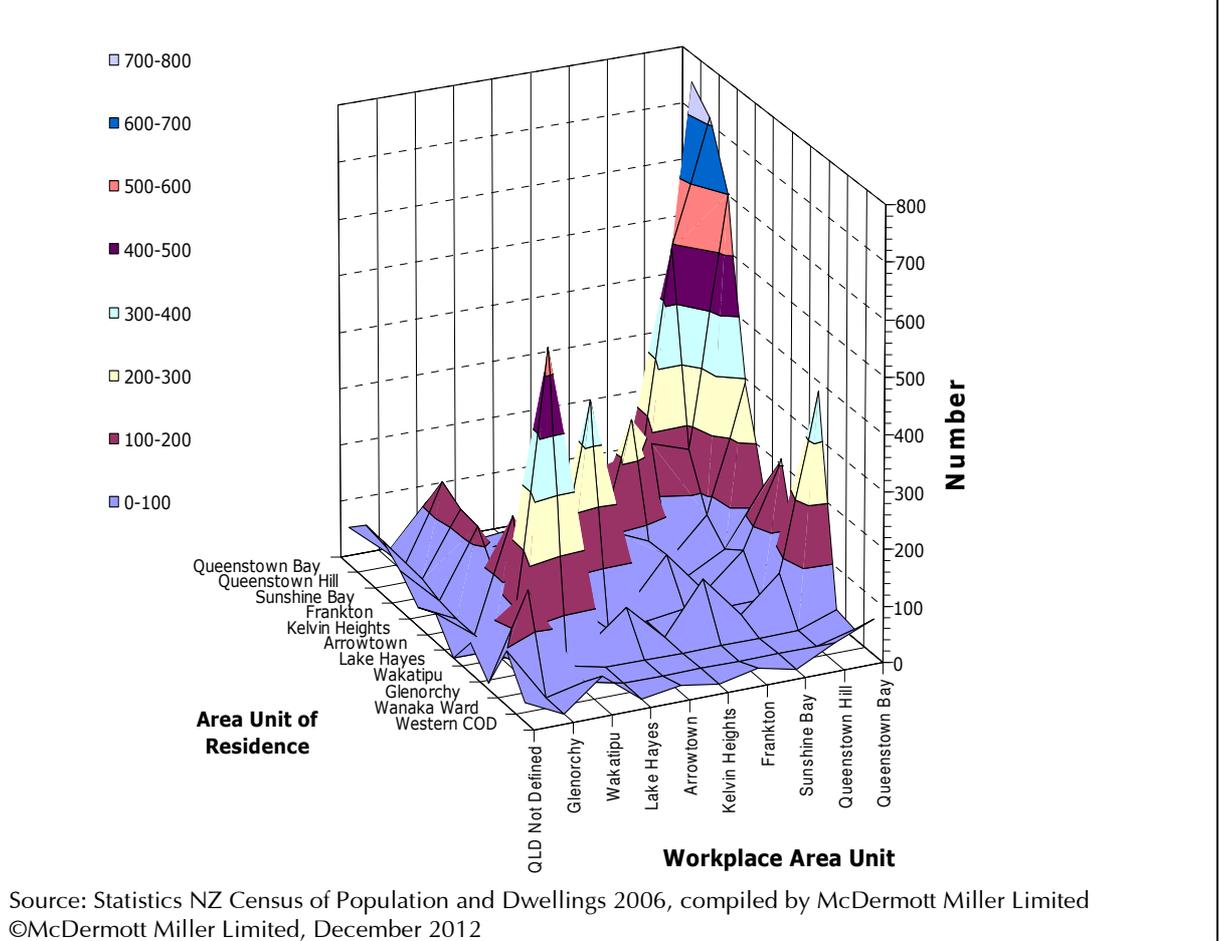


3.3 Distribution of Jobs Compared to Population

Figure 3.4 below illustrates the distribution of jobs compared to population within Wakatipu-Arrowtown, based on the 2006 Census travel to work data.

- Queenstown’s workforce mostly live close to their place of work. Some 63% of those working in Queenstown Bay and Queenstown Hill in 2006 lived in those two area units plus Sunshine Bay. A further 8% of workers in the two area units lived in Frankton area units.
- Some 50% of workers residing in Frankton Area Unit work in that area unit or Wakatipu area unit². A slightly smaller percentage (46%) worked in Queenstown Bay or Queenstown Hill.
- While Cromwell is sometimes put forward as a significant “dormitory suburb” for Queenstown’s workforce, the 2006 data indicates that in that year only around 213 of the 8,200 (2.6%) of those working in Wakatipu-Arrowtown resided in Central Otago District.

Figure 3.4: Commuting from Area Unit (2006) of Residence to Workplace Area Units within Wakatipu-Arrowtown in 2006



² The 2006 Wakatipu Area Unit includes the Glenda Drive and Remarkables Park employment areas. Because the 2006 travel-to-work data uses 2006 Area Unit boundaries it is not possible to isolate travel to jobs in what is now Frankton East Area Unit, encompassing Remarkables Park and Glenda Drive employment areas.



3.4 Distribution of Commercial/Retail Floorspace: Current and Developer's Intentions

In this sub-section we review the current distribution of retail floorspace, and indicate how this would change if developer's intentions for retail development are realised.

3.4.1 Current Retail Floorspace

Table 3.1 below shows estimates of retail and related floorspace in Queenstown lakes shopping centres.

- **Queenstown CBD** has some 156,000 m² of floorspace in all commercial activities. Of this, some 40,000 m² is in retail and related activities including 18,000 m² in comparison goods retail and 18,000 m² in restaurants, cafes, bars and takeaways.
- There is estimated 16,000 m² of retail floorspace in **Gorge Road**, bringing the total for **Central Queenstown** (Queenstown CBD and Gorge Road combined) to some 56,000 m².
- The **Remarkables Park** shopping centre currently has, at around 21,000 m², around half the retail floorspace of Queenstown CBD.
- In comparison shopping **Remarkables Park** has currently has the equivalent of 74% of the CBD's supply, largely in large format stores.
- **Remarkables Park** and **Central Queenstown** have similar supplies of grocery floorspace. However, the Remarkables Park New World supermarket makes Remarkables Park the principal centre for main-order supermarket shopping trips.



Table 3.1: Estimated Current Retail & Related Floorspace

Centre	Grocery	Comparison	Hardware	Restaurants, Cafes, Bars & TWs	Personal & Household Services	Health Services	Automotive Services	Petrol Stations	Total	Approximate Accommodation	Estimated Floorspace (sq m) in all activities
Queenstown CBD	750	17,977	0	18,449	2,480	470	0	0	40,126	28,000	156,000
Gorge Rd	3,830	2,215	1,750	971	2,480	1,410	2,830	1,080	16,566		52,000
Subtotal Central Queenstown	4,580	20,192	1,750	19,420	4,960	1,880	2,830	1,080	56,692		208,000
Remarkables Park	4,260	13,271	1,899	540	230	500			20,700		27,000
Other Urban Queenstown	1,140	1,168	1,571	2,020	1,000	640	1,930	1,270	10,739		
URBAN QUEENSTOWN	9,980	34,631	5,220	21,980	6,190	3,020	4,760	2,350	88,131		
o/s Urban Queenstown incl Arrowtown	500	3,314	0	2,060	320	420	390		7,004		34,700
QUEENSTOWN and ARROWTOWN WARDS	10,480	37,945	5,220	24,040	6,510	3,440	5,150	2,350	95,135		
Wanaka Town Centre	2,350	7,936	0	n/a	n/a	n/a	n/a	n/a	10,286	15,300	64,500
Three Parks Precinct	0	143	1,269	n/a	n/a	n/a	n/a	n/a	1,412		
Other Wanaka incl Airport	0	1,610	2,731	n/a	n/a	n/a	n/a	n/a	4,341		86,700
WANAKA WARD	2,350	9,690	4,000	n/a	n/a	n/a	n/a	n/a	16,040		

Sources:

Mark Tansley Plan Change 34 evidence for Grocery, Comparison and Hardware (survey based, converted by MML from Net to Gross Floor Area).

Market Economics Plan Change 34 evidence for all other categories. These are modelled, based on employment.

Approximate Accommodation: McDermott Miller estimate by applying accommodation share of developed land area to total floorspace in the town centre zones.

Estimated floorspace in all activities area: McDermott Miller estimate base on update (using building permits) of 2006 estimate in *Commercial Land Needs – Queenstown Lakes District* (Hill Young Cooper Limited, August 2006)HYC.

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3.4.2 Future Retail Floorspace if developer's intentions are realised

Table 3.2 below shows the *possible future distribution of retail floorspace if developers' intentions are realised* (refer the footnotes to **Table 3.2** for source of our information on developers' intentions). Note that this assessment is based entirely on developer's intentions, and does not take into account whether the market will support such a level of development (we return to this question in **Section 3.4** below and **Section 4.6**) or whether the District Plan permits it.

- In the first phase of retail development (estimated to be complete in 2015) some 44,400 m² of retail would be added to the supply on Frankton Flats cluster, taking the total for the cluster to 65,000. This would make the retail supply on Frankton Flats 62% larger than that of the Queenstown CBD, and 15% larger than in Queenstown Central as a whole.
- By the completion of the second phase of retail expansion, which we estimate to occur over 2018-22, retail floorspace in the Frankton Flats cluster would be twice the size of that of Central Queenstown.
- Initial retail development on Three Parks Precincts is assumed to be the 10,000 m² provided for in the District Plan for Three Parks Precinct Commercial Core (ie the operative Plan Change 16), followed by progressive development on the deferred Commercial Core to the scale envisaged in *Wanaka Market Analysis – 2009* by Retail Consulting Group.



Table 3.2: Possible Future Retail Floorspace: Developers Intentions (sq m GFA)

	Existing	Expansion Phase I		Expansion Phase II			
		Completion 2014-15		Completion over 2016-18		Completion over 2018-22+	
Centre		Addition	Cumulative Total	Addition	Cumulative Total	Addition	Cumulative Total
Queenstown CBD	40,126		40,126		40,126		40,126
Gorge Rd	16,566		16,566		16,566		16,566
Subtotal Central Queenstown	56,692		56,692		56,692		56,692
Remarkables Park Area 5 & Area 3	20,700	10,400	31,100	16,400	47,500	6,200	53,700
Shotover Park Consented Retail		11,575	11,575	7,270	18,845		18,845
Five Mile Retail Centre		22,389	22,389		22,389		22,389
Retail on Frankton Flats (B) Zone			0		0	18,500	18,500
Subtotal Frankton Flats Cluster	20,700	44,364	65,064	23,670	88,734	24,700	113,434
Other Urban Queenstown	10,739		10,739		10,739		10,739
URBAN QUEENSTOWN	88,131		88,131		88,131		88,131
o/s Urban Queenstown incl Arrowtown	7,004		7,004		7,004		7,004
WAKATIPU and ARROWTOWN WARD	95,135	44,364	139,499	23,670	163,169	24,700	187,869
Wanaka Town Centre	10,286		10,286		10,286		10,286
Three Parks Precinct	1,412	10,000	11,412	6,385	17,797	16,324	34,121
Other Wanaka incl Airport	4,341		4,341		4,341		4,341
WANAKA WARD	16,040	10,000	26,040	6,385	32,425	16,324	48,749

Sources: As for Table 3.1 plus

Communication from Remarkables Park Limited 18 December 2012.

Remarkables Park Website www.remarkablespark.com/property-portfolio.

Attachment 6 Shotover Park Large Format Destination Stores - Overall Site Plan dated 15 December 2010, attached to Mr Porter's statement of evidence in support of Foodstuffs resource consent application.

Plan Change 19: Final Planners Conferencing Report Dec 2011.

Five Mile Retail Centre: 2012 Assessment of environmental effects.

Wanaka Market Analysis – 2009 by Retail Consulting Group and Queenstown Lakes District Plan provisions for retail development in the Three Parks Precinct Commercial Core and Deferred Commercial Core.

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3.4.3 How Realistic are the Developers' Intentions?

Here we make an initial assessment of how realistic the rate of retail expansion intended by developer are in aggregate, relative to future market size, by comparing of Queenstown Lakes District's putative retail supply with other Districts.

- Wakatipu-Arrowtown and Wanaka can be regarded as essentially separate catchments for retail planning purposes. Under the District Plan, as amended by the operative Plan Change 16, retail development on the deferred Commercial Core of the Three Parks Precinct is to be allowed a rate supported by population growth in Wanaka. Therefore Wanaka cannot be relied on as a growing market for new retail in Wakatipu-Arrowtown.
- By 2021, under Statistics NZ Medium projections there would be some 9100 households in Wakatipu-Arrowtown, which could be provided with some 163-180,000 of retail floorspace (depending on whether retail development occurs on Area C1 of the Plan Change 19 land and whether retail development on Remarkables Park progresses beyond what is intended for the next five years).
- In contrast, Kapiti Coast District's supply of retail floorspace 2004 was some 101,000 m² to serve a district of some 20,000 households.
- And in 2008 Hasting District's supply of retail floorspace was some 160,000 m² to serve a district of 27,000 households (or three times the size of Wakatipu-Arrowtown).
- While the retail floorspace in Wakatipu is supported by tourist spending, most of the expansion of retail floorspace on Frankton Flat cluster (with the exception of retail development on Area 3 of Remarkables Park) is ostensibly to serve the resident market.
- On the basis of these benchmark alone, it seems unlikely that the household market will be sufficient to support retail development on the scale envisaged by developers.

In **Section 4.6** below we will compare projections of retail floorspace supportable by projected tourist and household retail growth

3.5 Supply of Vacant Commercially Zoned Land.

McDermott Miller has estimated the current supply of commercially zoned land (refer **Section 4.3**) in the District; these estimates reflect:

- Plan Change 34, operative in November 2012, pertaining to the Remarkables Park Special Zone
- Interim Decision of the Environment Court on Plan Change 19 (12 February 2013) (Frankton Flats Special Zone (B)).

The zones and sub-zones (activity areas with specific rules within special and mixed-use zones) have been classified according to the type of activity that is the main purpose of each, based on the District Plan objectives and policies applying to them. The analysis of vacant commercial land in **Tables 3.3** shows:

- there is currently an estimated 77 ha of vacant land zoned for commercial activities in **Wakatipu Arrowtown** (almost all outside Queenstown Town Centre zone).
- some 35.9 ha of this land is committed to retail development, leaving **41.1 ha** available for other commercial activities;
- in **Wanaka**, there are some 59 ha of vacant land zoned for commercial activities,
- deducting the estimated 20.3 ha already committed to retail development in Wanaka gives a total of **38.7** ha available for other forms of commercial development in Wanaka.

Table 3.3 Estimated availability of land for non-retail development

	Summary Classification	Net Vacant/Primary Industry (ha)	Committed to Retail Development (ha)	Net Vacant less land committed to Retail (ha)
Wakatipu-Arrowtown	Town Centre	0.5	0.0	0.5
	Business	4.7	0.0	4.7
	Industrial	39.5	5.9	33.6
	Suburban Retail	19.9	17.7	2.2
	Tourism Retail	12.3	12.3	0.0
	Total		77.0	35.9
Wanaka	Town Centre	1.1	0.0	1.1
	Business	16.4	0.0	16.4
	Industrial	21.1	0.0	21.1
	Suburban Retail	13.8	13.8	0.0
	Tourism Retail	6.5	6.5	0.0
	Total		59.0	20.3
Total Queenstown Lakes District	Town Centre	1.7	0.0	1.7
	Business	21.1	0.0	21.1
	Industrial	60.7	5.9	54.8
	Suburban Retail	33.7	31.5	2.2
	Tourism Retail	18.8	18.8	0.0
	Total		136.0	56.2

Source: McDermott Miller estimates based on data provided by Queenstown Lakes District Council.
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3.6 Conclusion to Section 3

- Economic activity, particularly in tourism, in Queenstown Lakes District is concentrated in and around Queenstown Town Centre, with Wanaka Town Centre being of secondary importance.
- Queenstown Town Centre remains the principal centre for retailing (including restaurants, cafes, bars etc) as indicated by supply of floorspace.
- However, if developers' intentions for retail expansion on Frankton Flats are realised, Queenstown Town Centre would no longer be the principal centre for retailing.

In the next section we will turn to the prospects for economic growth in the District and will consider whether expansion of retail as intended by developers is supportable, and to estimate how long the supply of vacant commercially zoned land estimated in **Section 3.5** will be sufficient.



PART II: DEVELOPMENT PROSPECTS AND OPTIONS

Topics Covered In Part II:

- economic growth scenarios for Queenstown Lakes District.
- assessment of commercial land needs based on population projections and building consents trends
- estimates of currently land in land zoned for business.
- effect of economic growth scenarios on retail spending growth and consequent support for new retail floorspace, compare with additions to supply intended by developers
- the demand for commercially zoned land under each scenario compared with the supply of vacant land.



4 ECONOMIC GROWTH SCENARIOS

4.1 Introduction

In **Section 4** we propose a limited number of economic growth scenarios for Queenstown Lakes District. These stem from the analysis in **Part 1** and our interviews with commercial stakeholders summarised in **Section 4.2** below. **Section 4.3** also includes projections of demand for land zoned for business in the District based on population projections and building consents trends.

We evaluate (using the Queenstown Lakes District Predictive Economic Model) the economic growth scenarios in terms their effect on retail spending growth and consequent support for new retail floorspace. This is then compared with putative additions to supply intended by developers. We then estimate the demand for commercially zoned land under each scenario, and compare this with the supply of vacant land.

4.2 What the Commercial Stakeholders Think

A series of 14 interviews were carried out with major commercial stakeholders in the District. These included developers, representatives of commercial associations, and other major business people, based on a list given to us by QLDC management.

We also conducted the internet business to business survey. The Sample Universe was members of Wanaka Chamber of Commerce, Queenstown Chamber of Commerce, Destination Queenstown and Lake Wanaka Tourism. A Sample Size of 110 interviews was obtained.

The following conclusions are based on both these sources.

4.2.1 Summary of Stakeholders' Views

The following table summarises the views of stakeholders consulted by way of an email survey or one-to-one telephone interviews in September-October 2012.

ISSUES	SUMMARY OF STAKEHOLDER VIEWS
<p>Perceptions of Queenstown District Economy</p> <p>Current economy</p>	<p>All say economy is flat, no growth, but not as bad as other parts of NZ.</p> <p>Tourism is returning to 2007 year highs, but construction is well below its high points.</p> <p>All say economy is tourism driven but recent shift towards lower spending tourists has occurred and will be negative for the economy if this shift is maintained or increased.</p>
<p>...continues</p>	



ISSUES	SUMMARY OF STAKEHOLDER VIEWS
<p>Future of the economy</p>	<p>All optimistic, all believe tourism growth will generate spending in the District & employment as a result.</p> <p>Significant opportunities in higher end tourists.</p> <p>However construction is not expected to return to its previous highs for 5-10 years, partly as a result of lower activity in Queenstown and partly because Christchurch has drawn skilled & unskilled labour away.</p>
<p>Economic development challenges & opportunities</p> <p>Opportunities</p>	<p>Queenstown in NZ's prime visitor attraction but needs new product, Wanaka is a tourist town too.</p> <p>Conference centres in Queenstown & Wanaka.</p> <p>Night flights into airport.</p> <p>Principal international tourism market is Australia. Potential advantages are:</p> <ul style="list-style-type: none"> - higher frequency of visit by Australian visitors, - convenience to visitors (3 hours flight, same language) - easiest for Queenstown/TNZ to market to Tourism services support industries. <p>Queenstown Resort College + education centres of excellence (e.g for high performance sports-people).</p> <p>Walking trails (in addition to skiing & golf).</p> <p>Health tourism services.</p> <p>Retirement villages (Wanaka).</p>
<p>Challenges</p>	<p>Retail expansion in Wanaka ("under-serviced", poor offer leading to high leakage to Queenstown & Cromwell).</p> <p>High end retail in Queenstown CBD.</p> <p>Improve arts & culture offer to draw more higher spending tourists.</p> <p>Quality of tourism offering:</p> <ul style="list-style-type: none"> - accommodation over supply at all levels currently - accommodation standard not internationally competitive - retail offer low to mid level (with some exceptions) - needs to be lifted in CBD - lack of product especially when weather is bad (Wanaka). <p>Airport limitations (hours of operation, aircraft capacities).</p> <p>Marketing Queenstown as a tourist destination to the international market - needs to be marketed as a "high value" destination and become more capable of delivering high value.</p> <p>Improving returns from tourism. Currently is a low value industry requiring large numbers of staff who are paid low wage rates with a high staff turnover.</p>
<p>...continues</p>	



ISSUES	SUMMARY OF STAKEHOLDER VIEWS
<p>Intensification versus Diversification</p>	<p>Queenstown brand has great potential but needs to be developed better as the home of a first class tourist product.</p> <p>Needs an overall strategic vision of where Queenstown will be in twenty years to guide all planning.</p> <p>Infrastructure development, especially roading (Frankton bottlenecks and Wanaka) and water (Wanaka).</p> <p>Insufficient supply of serviced land (water & roads especially) – Wanaka.</p> <p>Overbuilding (e.g. as Queensland's Gold Coast).</p> <p>Intensification first - improve the tourist product, build the conference centre.</p> <p>Diversification needs to complement tourism.</p> <p>Education next best opportunity for diversification.</p>
<p>Zoning</p>	<p>No constraint on availability of appropriately zoned commercial land other than in the CBD.</p> <p>No constraint on availability of appropriately zoned residential land.</p> <p>RMA fights suit protagonists delaying implementation until one or other secures sufficient tenants.</p> <p>Consenting process is long & expensive (PC16 in Wanaka took 16 years).</p> <p>Development contributions too high.</p> <p>Excessive Council red tape.</p>
<p>Developments</p>	<p>Queenstown CBD:</p> <p>Will increasingly become District's tourism and food & beverage centre - District's key tourist precinct.</p> <p>Is vibrant but can be unsavoury at night.</p> <p>Rents are rising indicating unfulfilled demand for retail space.</p> <p>Needs high quality retail, food & beverage, accommodation & attractions.</p> <p>New hotels unlikely for at least 5-10 years (investment doesn't stack up in present market).</p> <p>But suffers from flooding risk, traffic issues and parking constraints.</p> <p>High land values in Downtown limit investment.</p> <p>Won't suffer unduly because of Frankton development if the right investments are made in the CBD, i.e. conference centre, lift quality of accommodation & retail offer.</p> <p>Frankton:</p> <p>A domestic (not tourist) centre.</p> <p>Place for residential development.</p> <p>Local & regional customers principally.</p>
<p>...continues</p>	



ISSUES	SUMMARY OF STAKEHOLDER VIEWS
	Potentially some limited future appeal to tourists - won't compete with CBD.
	<p>Expect excess capacity in retail in Frankton if all current retail development proposals are implemented within the next five years.</p> <p>Gorge Road: Declining retail centre - now second tier. Will lose out to Frankton.</p> <p>Wanaka: Problem of feasibility - difficult to achieve in current market of high costs & constrained demand which leads to slow development. No significant retail development likely to occur for at least 2 years. On the other hand, consents in place so faster expansion possible than Frankton which is mired in fighting between neighbouring developers.</p>
<p>Preferences between alternative development Options</p>	<p>No preferences expressed between one or other development.</p> <p>Most expect/hope all developments will ultimately proceed in time (10 years?).</p> <p>Expected long term residential growth, first in Frankton, second in CBD, third in Kelvin Heights and 4th in Jacks Point.</p> <p>Frankton & CBD are said to be different but complementary types of retail centre.</p>
<p>Other</p>	<p>Airport: Constrained by proximity of residential & commercial development and residents opposition to service improvements, limits on carrying capacity of existing B737 & A320 aircraft using the airport and an extensive general aviation function. Develop Wanaka airport as alternative to Queenstown? Relocate general aviation to Wanaka? Likely to be a long term constraint on District economy.</p> <p>Conference Centre: Key initiative Needs to be large size and integrated with visitor accommodation & attractions - commercially run. Must be capable of attracting conferences from Australia as well as national level conferences, means centre must have high quality facilities and services to match high quality physical environment.</p> <p>Casino: Enlarge the casino and link to conference centre/hotels?</p>



4.2.2 Conclusions from Stakeholder Consultation

- Stakeholders all agree Queenstown is a tourist town and tourism driven economy, and will continue to be so for the foreseeable future.
- Diversification of the economy would be “nice to have”, but needs to complement the tourist economy.
- Stakeholders regard Queenstown Centre/CBD as the tourist centre of the District.
- On the other hand Frankton Flats is considered to be a residential place containing retail outlets servicing the residents. It is not a tourist centre.
- The Queenstown Centre/CBD tourist experience is disappointing compared to the experience of the surrounding natural environment (the CBD “underwhelms” the natural environment).
- Improving the quality of the accommodation, retail and services offered in the Queenstown Centre/CBD is a key step to attracting more, higher spending, tourists and growing the economy as a result.
- At present, there is no financial case for building new hotels in Queenstown Centre/CBD, or anywhere else, due to continuing excess capacity and lack of demand (investment is infeasible). This situation is unlikely to change for at least five years and it may be as long as ten years before significant expansion of hotel capacity occurs.
- On the other hand there may well be a financial case (lower investment required per room) for improving the quality of existing hotels as well as for upgrading cafes and restaurants to help generate more tourists.
- The conference centre, provided it is big enough and classy enough, is a winner.

4.3 Business Zone Commercial Land Needs based on Population Projections and Building Consents Trends

4.3.1 Introduction

As part of its Review brief, McDermott Miller is required to update estimates of commercial land needs last done in August 2006 by Hill Young Cooper (*Commercial Land Needs – Queenstown Lakes District*). We have:

- reviewed the existing commercial zones and the current supply of commercial zoned land in the District;
- estimated vacant commercially zoned land “available” to meet future demand;
- compared projected demand for commercially zoned land over the 2013-2031 period, using both population/employment based and building consents trends-based growth projection methodologies similar to those applied in the 2006 report;
- interpreted the results of this analysis.

To be consistent with the Hill Young Cooper report (2006), we have adopted the employment activity definitions set out in Appendix 4 to that report:

- Yard-based
- Transport-related
- Manufacturing-Construction
- Wholesale
- Office
- Community



4.3.2 Business Zone Commercial Land Needs based on Population Projections and Building Consents trends

The overall supply of land in the District zoned for commercial purposes is projected to exceed demand (under five demand growth projections) for the duration of the planning period. However, demand for vacant Wakatipu-Arrowtown Town Centre and Business zoned land will exceed supply at much earlier dates. The supply of vacant Queenstown and Arrowtown Town Centre land is already effectively exhausted and supply of business zoned land would be used up after 2021 in all but the lowest demand growth projection.

Wakatipu-Arrowtown Wards

Surplus Commercial Land Overall

- In Wakatipu-Arrowtown there is 41.1 ha of land available for commercial activities, after allowing for 35.9 ha of vacant land essentially already committed to retail development to meet developers' intentions (**Table 3.3**).
- If demand for commercial land in Wakatipu-Arrowtown kept pace with spending growth rather than developers' proposals, only 9.9 ha would be required for retailing by 2031.
- Current supply (41.1 ha), compared to the 35.9 ha required by developers' proposals (**Table 3.3**), will exceed demand for all commercially zoned land (excluding retailing) in Wakatipu-Arrowtown up until 2031 under most demand growth projections. Under the most optimistic projection (based on building consents trends) of demand a shortfall would be experienced over the last three years.
- Under the projection based on Statistics NZ's Medium population projection, in 2031 there would still be 14.1 ha of vacant commercial zoned land in 2031, representing some 10 year's supply.

But Shortage of Vacant Town Centre and Potentially Business Zoned Land:

There is:

- an acute shortage of vacant land zoned Town Centre, meaning 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;
- a potentially limited supply of vacant Business land, (essentially exhausted by 2021 under the "Medium" demand growth projection, or sooner under higher growth rate projections), but this could be alleviated through: relocation of industrial and yard-based activities from Business to Industrial zones and sub-zones; and, an expansion of the Queenstown Town Centre zone allowing office and other activities to locate there instead of the Business Zone;
- a potential shortage of Industrial land may develop after 2026 under the three higher demand growth projections.

Wanaka Ward

Surplus Vacant Land:

- In Wanaka there is currently 38.7ha of land available for commercial activities, after allowing for 20.3 ha of vacant land essentially already committed to retail development to meet developers intentions (**Table 3.3**).
- Current and proposed retail floorspace (m² GFA) from the first tranche of supply growth in Three Parks Commercial Core alone should be sufficient to satisfy projected demand for the next 10 years.

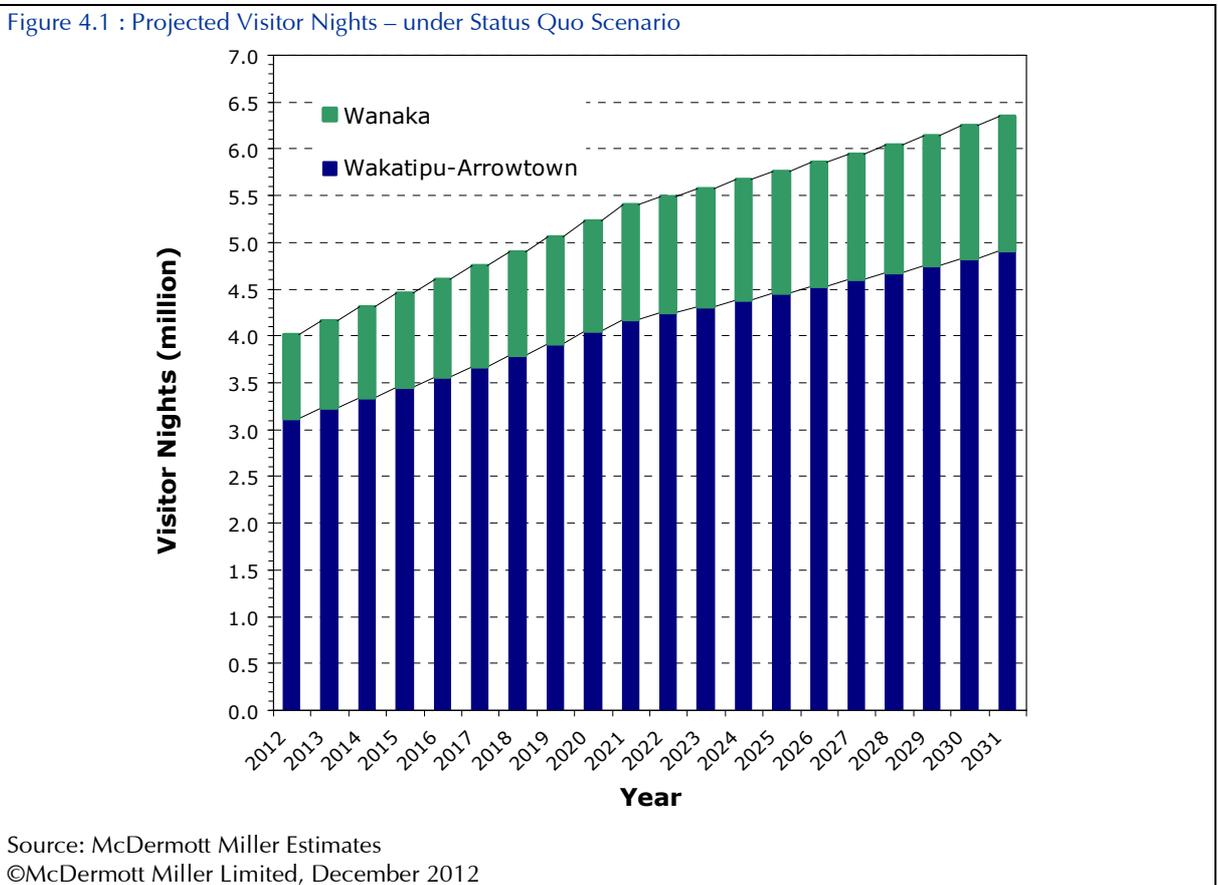
- If demand for commercial land in Wanaka kept pace with spending growth, only 4.6 ha would be required for retailing and restaurants by 2031, compared to 20.3 ha additional supply committed to retail (Table 3.3).
- Current supply (38.7ha) will exceed demand for commercially zoned space in Wanaka up until 2031 even under the most optimistic projection (building consents trend) of demand.
- Under the projection based on Statistics NZ’s Medium population projection, “, in 2031 there would still be 27ha of vacant commercial zoned land in 2031, representing some 34 year’s supply.
- Over the next five years available vacant Town Centre land could be taken up.

4.4 Growth prospects under Continuation of Current Economic Growth Trends

We now look at commercial land needs under contrasting economic growth scenarios, as distinct from the population-based projections of Section 4.3 above.

In this sub-section we briefly review the growth prospects for Queenstown Lake District under the assumptions that there is no significant change in the District’s tourism product offer and marketing, and that airport operating hours remain unchanged. We have termed this the “Status Quo” economic growth scenario. The District is assumed to have a constant share of national arrivals and domestic travel; further information on the key underlying assumptions of this scenario is given in Table 4.1 below.

Projected visitor nights under are illustrated in Figure 4.1 below. Visitor nights would grow from 4 million now for the District as a whole, to 5.2 million in 2021 and 6.4 million by 2031.





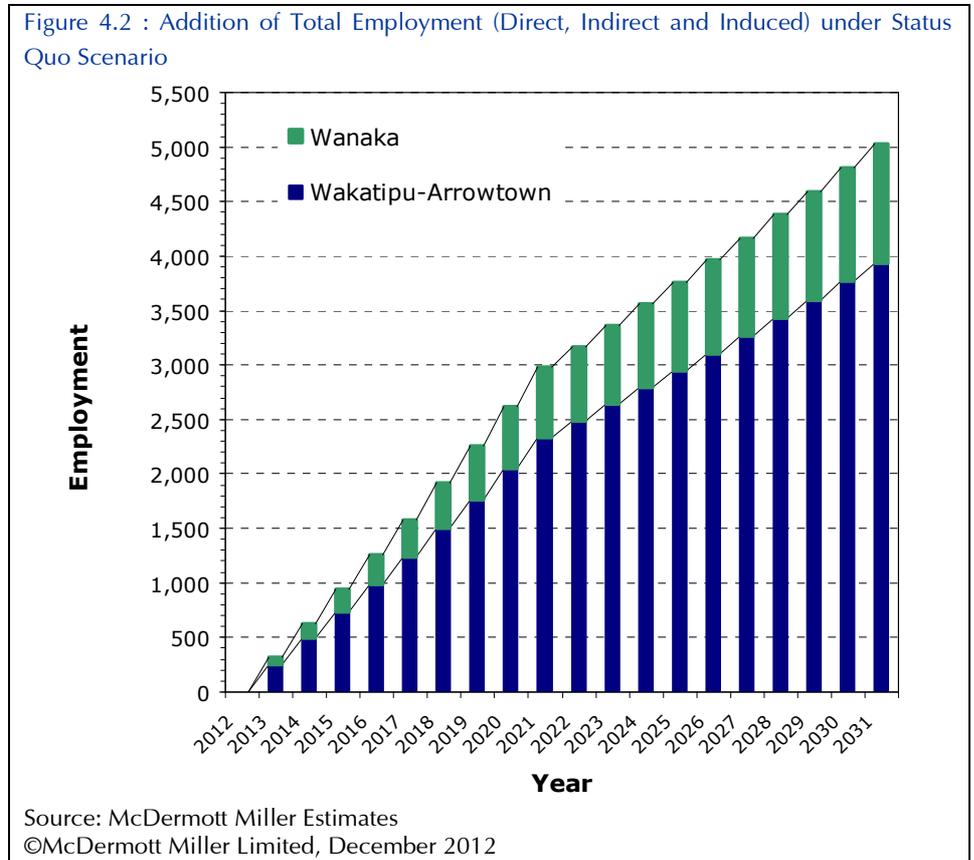
We estimated visitor spending under the “Status Quo” scenario, and consequent direct, indirect and induced economic impacts (output, value added, gross household income and employment) using the Queenstown Lakes District Predictive Economic Model (QLD-PEM). Summary results for 2021 are shown in **Table 4.1** below.

Table 4.1: Summary of Status Quo Scenario

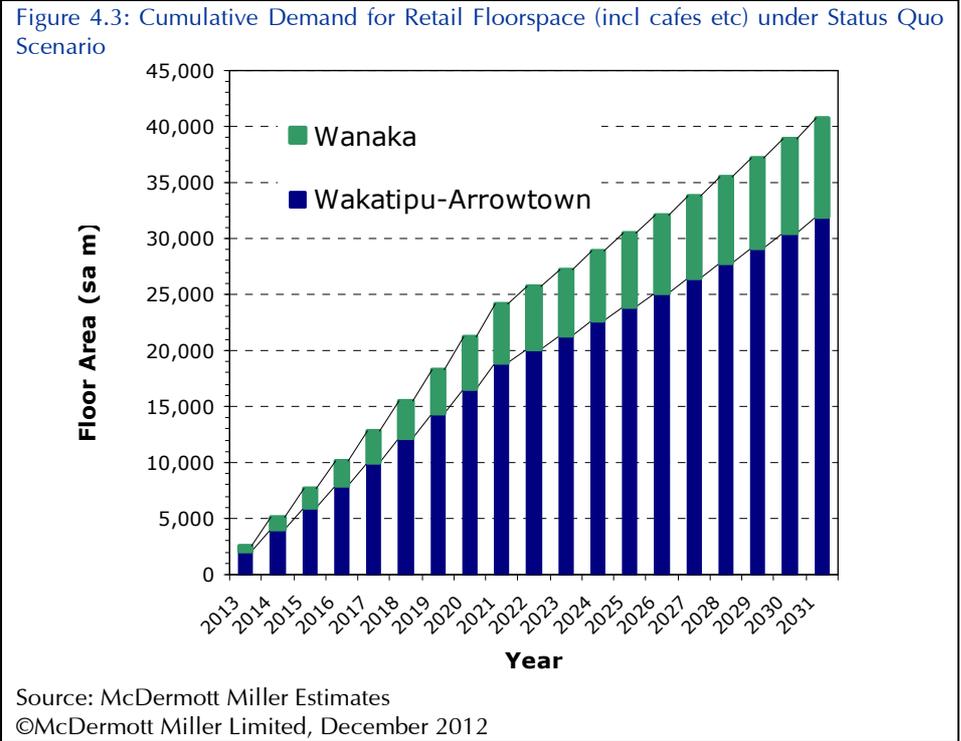
SCENARIO	KEY UNDERLYING ASSUMPTIONS	INDICATIVE ANNUAL OUTCOMES BY 2021	
		Description	Indicative Results
<p>Status Quo – continuation of existing trends</p> <p>Continuation of existing trends & Council Policy</p> <p>Dispersed pattern of commercial / retail development.</p> <p>No new significant investments in tourism or any other growth initiative</p>	<p>International visitor numbers grow at projected national growth rates (3% Australia, 3.2% rest of World) out to 2021, halving thereafter. Domestic visitor numbers grow at average rate over 2008-2009 (3.5%) out to 2021, growth rate halving thereafter.</p> <p>Average daily spend:</p> <ul style="list-style-type: none"> - Domestic \$222 per visitor night - Australia \$287 per visitor night - Rest of World \$245 per visitor night 	<p>Total New Output:</p> <p>Total Value Added:</p> <p>Total New Gross Household Income:</p> <p>Total Jobs Created:</p>	<p>\$421 M</p> <p>\$214 M</p> <p>\$131 M</p> <p>2982</p>

Source: McDermott Miller Estimates
©McDermott Miller Limited, December 2012

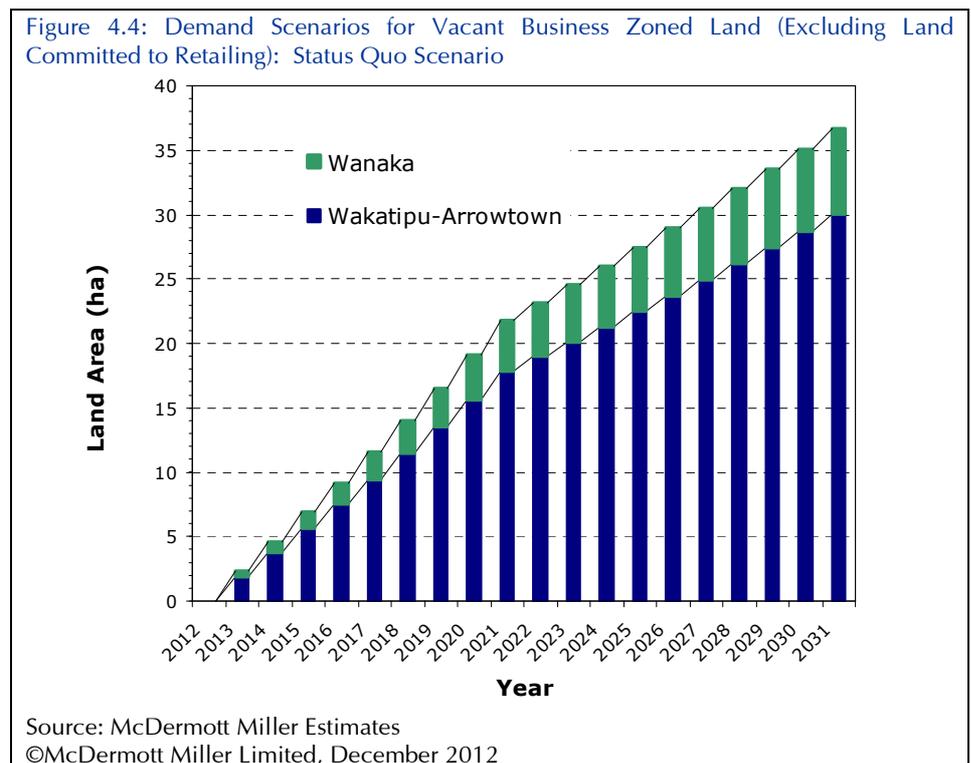
Figure 4.2 illustrates the addition of employment (from a 2012 base) across all industries and including direct, indirect and induced effects. We estimate that tourism growth under the “Status Quo” scenario would add 2982 jobs to the District’s economy by 2021, and 5025 by 2031.



The employment growth in **Figure 4.2** will lead to household growth which, in turn, has consequences for retail spending and new retail floorspace supportable by this spending (see **Section 4.6.3** for further discussion). The cumulative demand for new retail floorspace (based on growth in both household retail spending and in retail spending by tourists) under the Status Quo scenario is illustrated in **Figure 4.3**. Total new floorspace demand for the District is estimated to be some 24,000 m² by 2021 and 41,000 m² by 2031.



The employment growth in **Figure 4.2** will give rise for new demand for land zoned for business. **Figure 4.4** illustrates demand for town centre, business, industrial and mixed-use land (excluding retailing discussed in **Section 4.3.2** below) under the “Status Quo” scenario. This amounts to 21.8 ha by 2021 and 36.7 ha by 2031. In **Section 4.7** below this demand is compared with available supply of vacant land zoned for business.





4.5 Modelled Economic Growth Scenarios

4.5.1 Description of scenarios

We have developed a set of possible tourism-driven economic growth scenarios for Queenstown Lakes District's economy. The purpose of these is to estimate future tourism spend and employment growth in the District; these in turn are used to estimate growth in:

- households;
- retail spend of these households;
- Retail spend and retail space supportable by the combination of household and tourist spending growth;
- growth in other commercial and industrial floorspace as a consequence of employment growth;
- demand for commercial/industrial land required by this floorspace.

The modelled economic growth scenarios are described in **Table 4.2** below, and summary effects at 2021 are also shown in that table.

The economic growth scenarios were simulated using the Queenstown Economic Model developed by McDermott Miller for Queenstown Lakes District Council. Summary outputs from the model over time are presented in this section, and more detailed results are presented in:

- District-level output, value added, household income and employment effects are given in **Annex II: Upstream Multiplier Effects Under the Economic Growth Scenarios**.
- Employment projections in Wakatipu-Arrowtown and Wanaka respectively, but industry, are set out in **Annex III: Employment Expansion under the Economic Growth Scenarios in Wakatipu-Arrowtown and Wanaka**.

Visitor Nights

Figure 4.5 and **Figure 4.6** present the underlying visitor night assumptions for the economic growth scenarios, for Wakatipu-Arrowtown and Wanaka respectively.

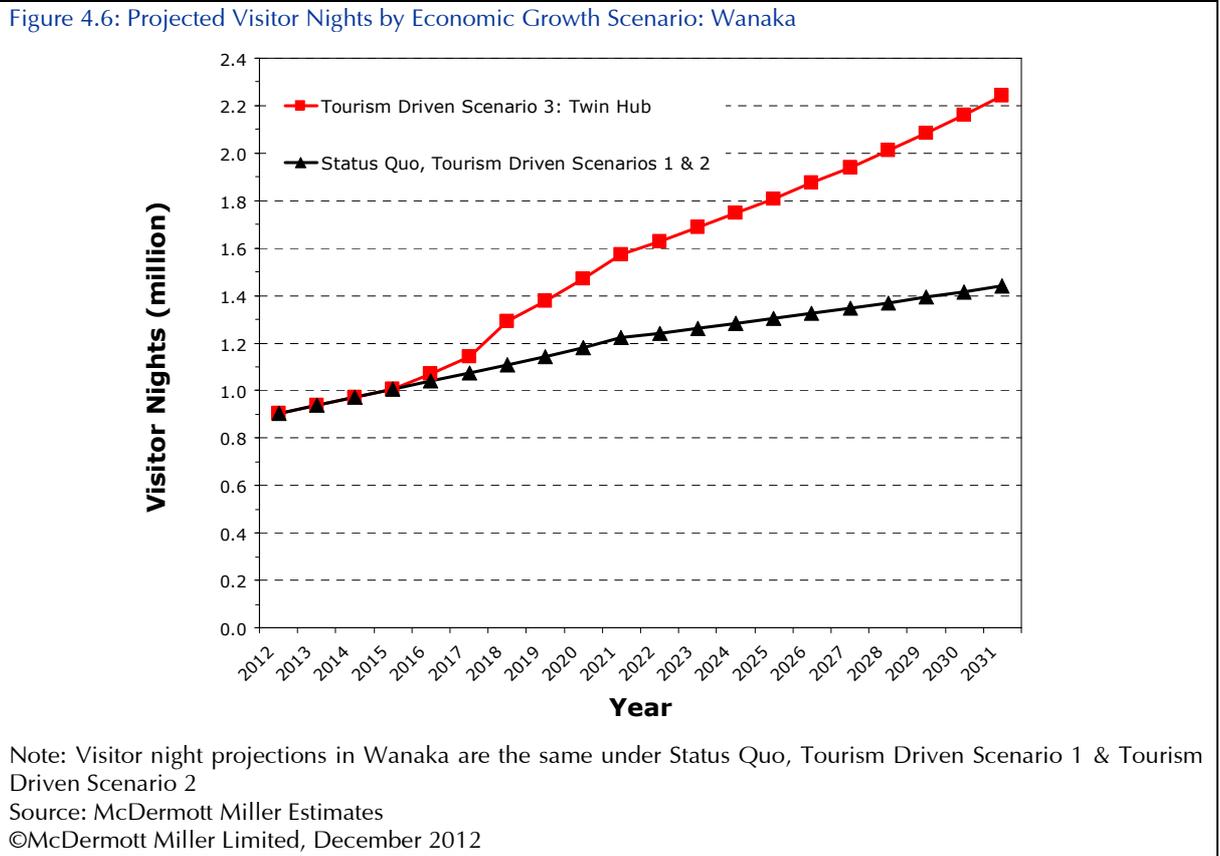
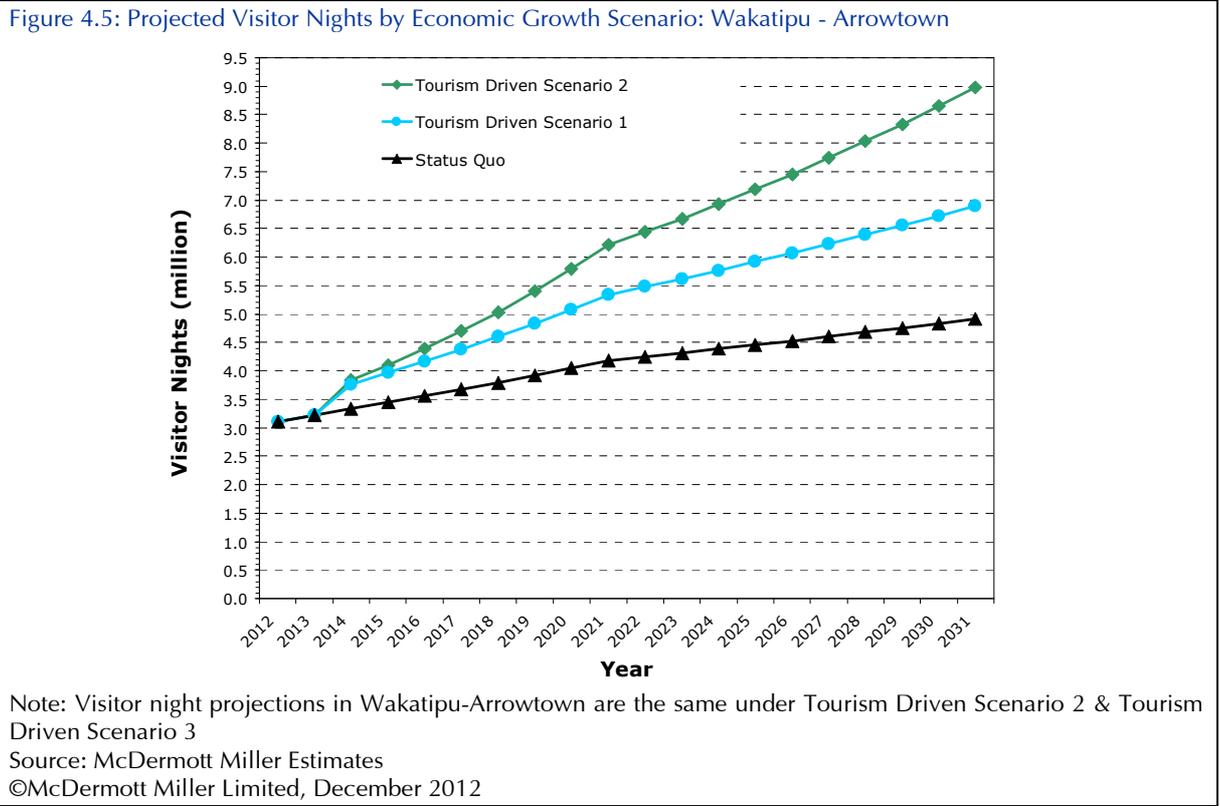




Table 4.2: Summary of Modelled Economic growth Scenarios

SCENARIO	KEY UNDERLYING ASSUMPTIONS	INDICATIVE ANNUAL OUTCOMES BY 2021	
		Description	Indicative Results
Tourism Driven Variant 1 Status quo plus: extension of airport operating hours & more direct extension of airport operating hours & more direct trans-tasman flights, plus; investment in promoting district to international & domestic markets	In Wakatipu-Arrowtown: - Rate of growth of international visitor nights is twice that of Status Quo - International visitor spend per day increases by 5% In Wanaka: - as for Status Quo	Total New Output: Total Value Added: Total New Gross Household income Total Jobs Created:	\$843M \$428M \$262M 5954
Tourism Driven Variant 2 Tourism Driven Variant 1 plus concentration on initiatives to expand & revitalise Queenstown Centre offer, such as: -Tertiary Education Institution - Hotel retail arcades - Enlarged casino - High end grocery, e.g. Metro New World - Sports Arena - Medical tourism centre - QLDC Administration Centre - Expansion & development of hotel/mixed use in CBD - redevelopment of CBD core Develop and implement a marketing strategy involving matching differentiated tourism products to high-value market segments By implication let market forces determine spatial pattern of retailing	In Wakatipu-Arrowtown: -Rate of growth of international visitor nights is three times that of Status Quo -International visitor spend per day increases by 25% -Domestic visitor spend per day increases by 10%. In Wanaka: - as for Status Quo	Total New Output: Total Value Added: Total New Gross Household income Total Jobs Created:	\$1480M \$752M \$459M 10,412
Tourism Driven Variant 3: Twin Tourism Hubs All of Tourism Variant 2 plus: - new hotels in Wanaka and allied development - Wanaka airport capability expanded to facilitate year round direct domestic flights	In Wakatipu-Arrowtown: - As for Tourism Driven Variant 2 In Wanaka: -Rate of growth of international visitor nights is three times that of Status Quo -International visitor spend per day increases by 15% -Domestic visitor spend per day increases by 5%.	Total New Output: Total Value Added: Total New Gross Household income Total Jobs Created:	\$1648M \$838M \$511M 11,595

V3 Economic Development Scenarios tested in Model 7 Jan 2013 p Scenario Summary
 Note: The economic benefits of retail development on Frankton Flats and Three Parks, which arise from reduction in leakage of spend, are in addition to the economic benefits of the above scenario. These are estimated to be (including indirect and induced effects): \$42M in Total New Output, \$24M in Total New Value Added, \$16M in Total New Gross Household Income, and 461 new jobs created.
 Source: McDermott Miller Estimates
 ©McDermott Miller Limited, December 2012

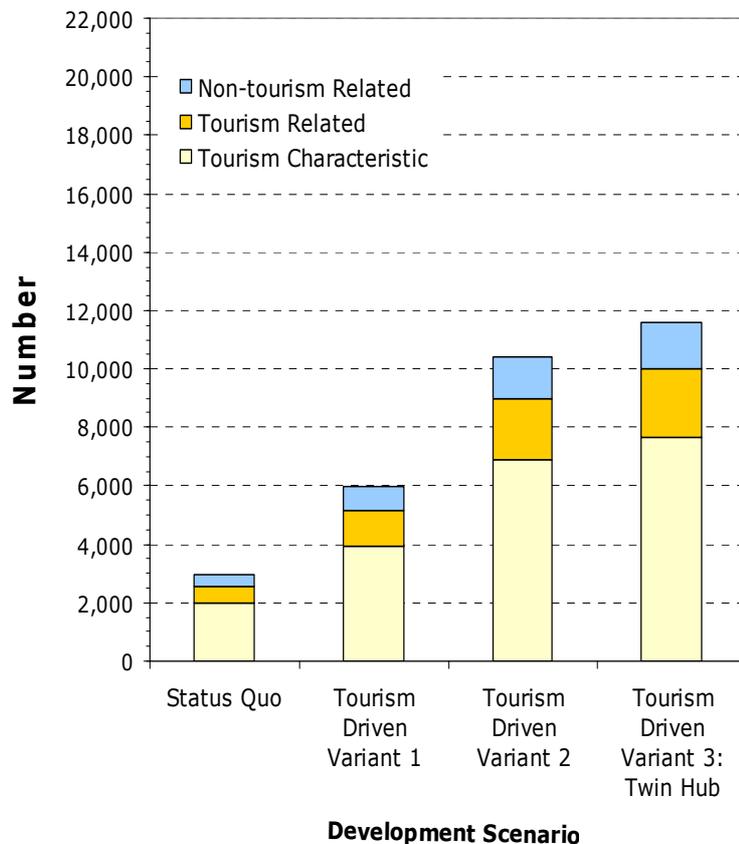
4.5.2 Industries that would expand as a result of tourism development

The “Tourism Characteristic” and “Tourism Related” industries (refer **Table 2.1**) benefit directly from increases in tourist spending, but “Non-tourism related” industries also do through purchases of inputs by tourism characteristic industry (ie “upstream” indirect effects) and through spending by households with increased income (induced effects).

Figure 4.7 below shows that between 2012 and 2021:

- under the Status Quo scenario, of the total of 2,982 new jobs some 409 would be in Non-tourism related jobs;
- under the Tourism Driven Scenario 1 Scenario, of the total of 5,954 new jobs some 818 would be in Non-tourism related jobs;
- under the Tourism Driven Scenario 2 scenario, of the total of 10,412 new jobs some 1,437 would be in Non-tourism related jobs;
- under the Tourism Driven Scenario 3 scenario, of the total of 11,595 new jobs some 1,601 would be in Non-tourism related jobs.

Figure 4.7: Employment Growth (including indirect and induced effects) Increase by Economic growth scenarios and industry group: Growth to 2021



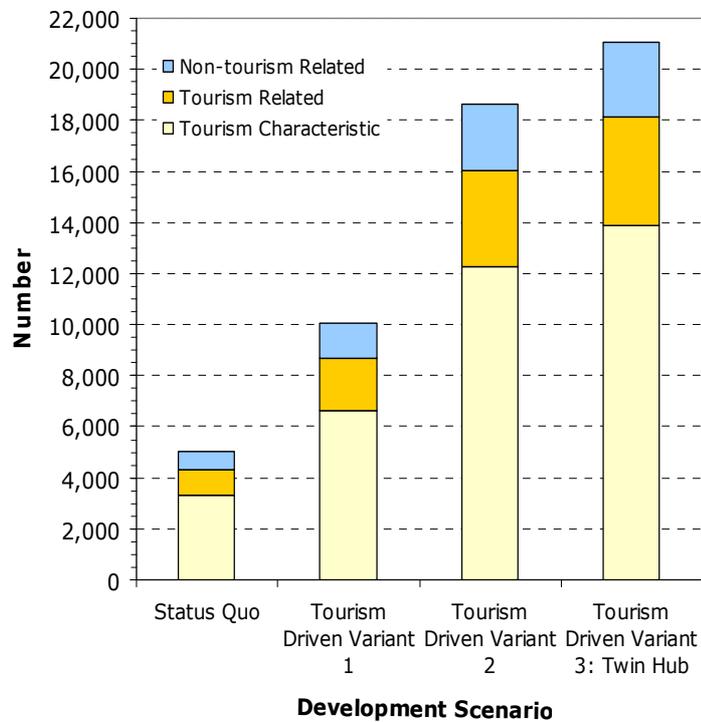
Source: McDermott Miller Estimates
©McDermott Miller Limited, December 2012



Figure 4.8 below shows that between 2012 and 2031:

- under the Status Quo scenario, of the total of 5,025 new jobs some 688 would be in Non-tourism related jobs;
- under the Tourism Driven Scenario 1 scenario, of the total of 10,035 new jobs some 1,381 would be in Non-tourism related jobs;
- under the Tourism Driven Scenario 2 scenario, of the total of 18,631 new jobs some 2,876 would be in Non-tourism related jobs;
- under the Tourism Driven Scenario 3 scenario, of the total of 21036 new jobs some 2,909 would be in Non-tourism related jobs.

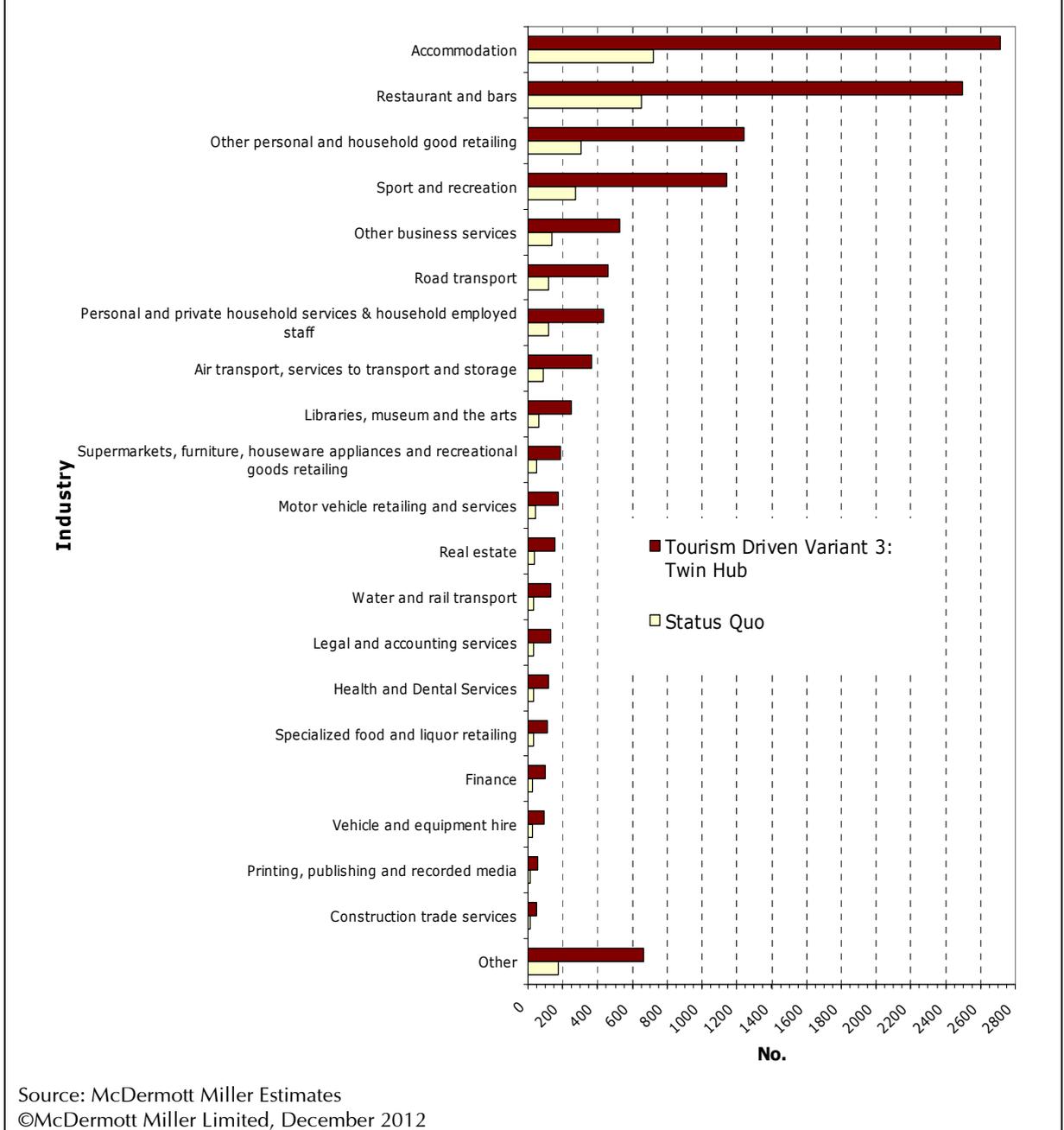
Figure 4.8: Total Employment (including indirect and induced effects) Increase by Economic growth scenarios and industry group: Growth to 2031



Source: McDermott Miller Estimates
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Figure 4.9 below ranks industries in descending order of employment growth in Queenstown Lakes District under the Tourism Driven Scenario 3: Twin Hub scenario and compares this with growth under the Status Quo scenario.

Figure 4.9: Total Employment (including indirect and induced effects) Increase by Economic growth scenarios and industry group in Queenstown Lakes District: Growth to 2021



Figures AIII.1 and AIII.2 in Annex III (attached) rank industries in descending order of employment growth in Wakatipu-Arrowtown and Wanaka respectively under the Tourism Driven Scenario 3: Twin Hub scenario and compares this with growth under the Status Quo scenario.

4.6 Retail Demand Effects of the Economic Growth Scenarios

4.6.1 Assumptions

Under the economic growth scenarios, retail spending increases arise from the spending in retail outlets by tourists, and from increased retail spending generated by the household growth that will follow on from the growth in employment.

Over 2001-2011, households in the District³ grew by some 4,100, and jobs⁴ grew by 6,012, i.e. a job growth to household growth ratio of 1.47. We have used this ratio to estimate household growth that will follow from the employment growth of the economic growth scenarios.

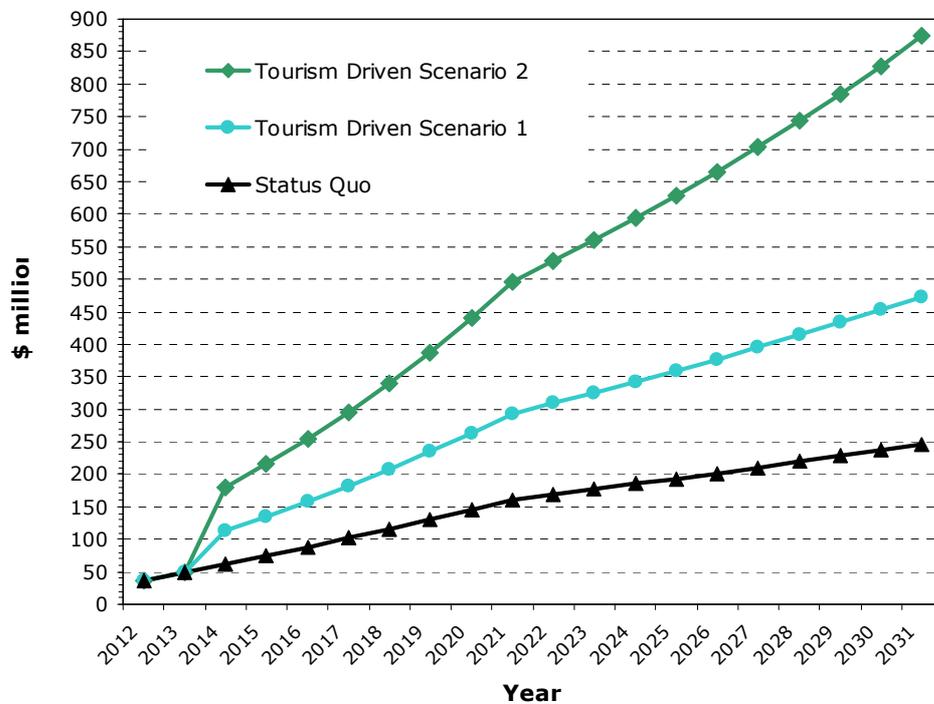
4.6.2 Retail Spending

Wakatipu and Arrowtown

Figure 4.10 below shows projected increases in retail spending (both by households and tourists) in Wakatipu-Arrowtown under the economic growth scenarios. By 2021, retail spending would increase by an estimated:

- \$161 million under the Status Quo scenario;
- \$293 million under the Tourism Driven Scenario 1 scenario;
- \$497 million under the Tourism Driven Scenario 2 scenario;

Figure 4.10: Retail Spending Impacts: Wakatipu and Arrowtown Wards



Source: McDermott Miller Estimates
©McDermott Miller Limited, December 2012

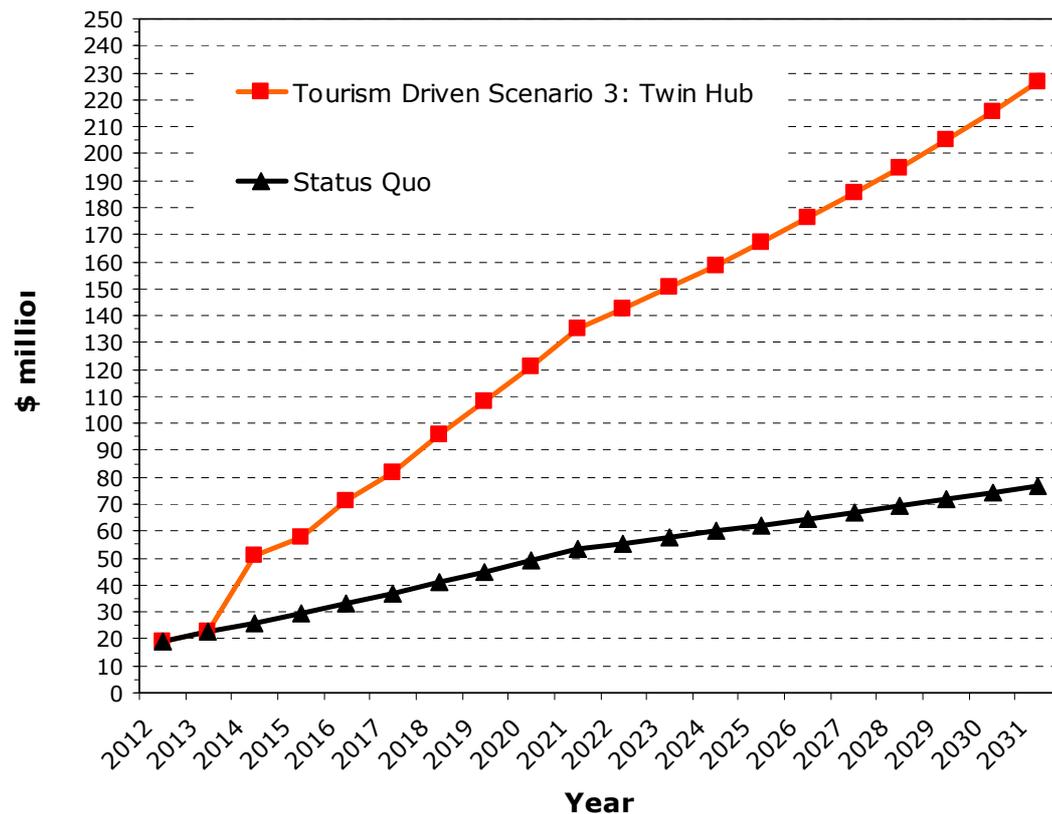
³ Source: Statistics NZ Household Estimates

⁴ Source: Statistics NZ Business Demography

Figure 4.11 below shows projected increases in retail spending (both by households and tourists) in Wanaka ward under the economic growth scenarios. By 2021, retail spending would increase by an estimated:

- \$53 million under the Status Quo scenario;
- \$135 million under the Tourism Driven Scenario 3: Twin Hub scenario.

Figure 4.11: Retail Spending Impacts: Wanaka Ward



Source: McDermott Miller Estimates
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4.6.3 Comparison of retail floorspace supportable with developers' intentions under the economic growth scenarios

Figures 4.12 and **4.13** below compare the proposed expansion of retail floorspace (if developers intentions are realised refer **Table 3.2** above) in Wakatipu-Arrowtown and Wanaka respectively with retail floorspace supportable by tourist and household spending growth (allowing for plausible reduction in household retail spending leakage). As well as economic growth scenario the figures include projections of demand based on Statistics New Zealand's Medium household projection for Queenstown Lakes District.

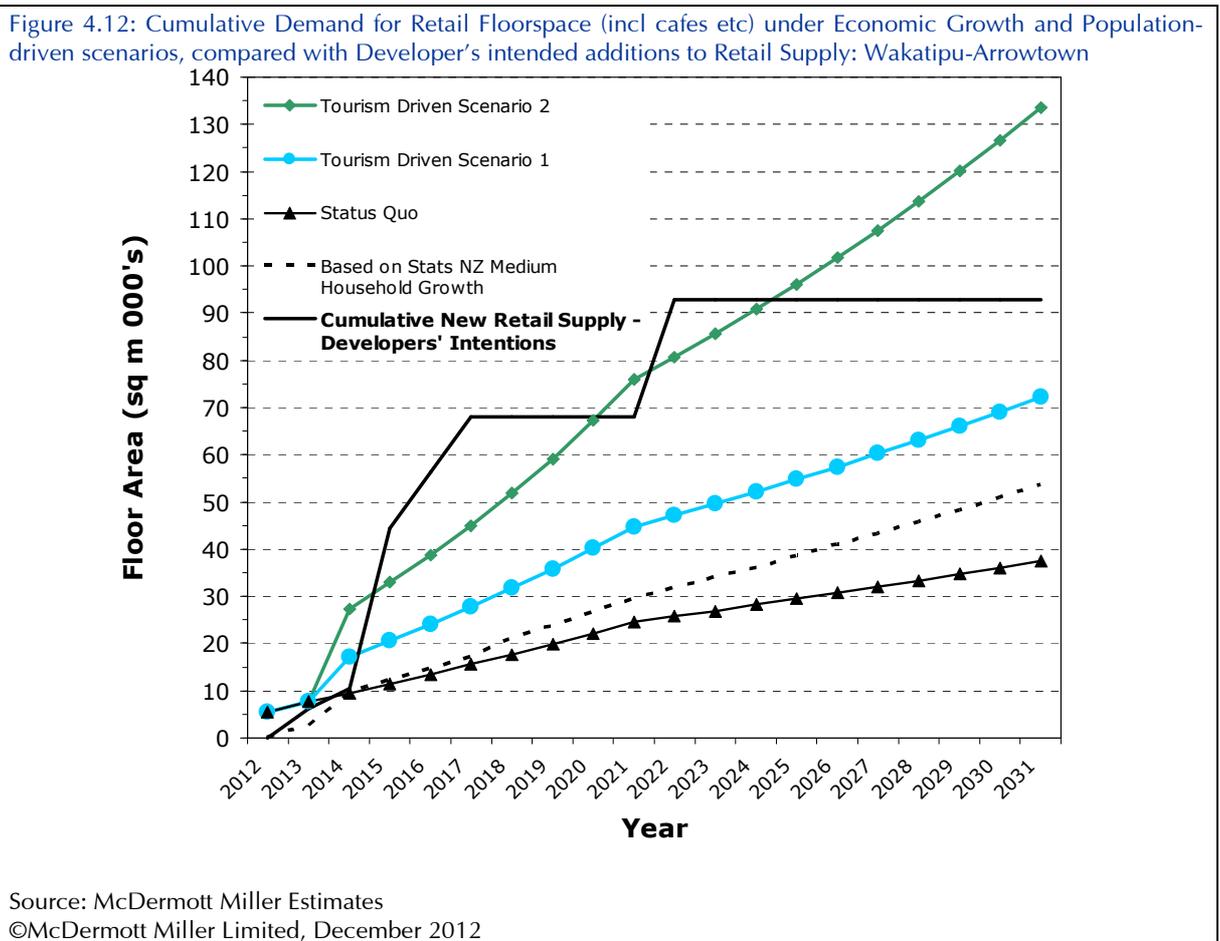
Wakatipu and Arrowtown

Figure 4.12 below shows estimated new retail floorspace in Wakatipu-Arrowtown that could be supported by the retail spending increase in Figure 4.11 above. By 2021, retail spending would be sufficient to support retail floorspace increased of an estimated:

- 24,500 m² under the Status Quo scenario;
- 44,700 m² under Tourism Driven Scenario 1;
- 76,000 m² under Tourism Driven Scenario 2.

Using an estimation methodology Based on Statistics NZ's Medium household projection, we estimate a retail floorspace increase of some 29,600 m² would be supported by 2021.

In contrast, if developer's intentions are realised the increase in retail supply by 2021 could be some 69,000 m². According to our estimates, economic growth rates approaching that of Variant 2 or Variant 3: Twin Hub will be required to generate the tourism and household spending required to support this expansion in retail floorspace (including allowing for realistic leakage reduction).



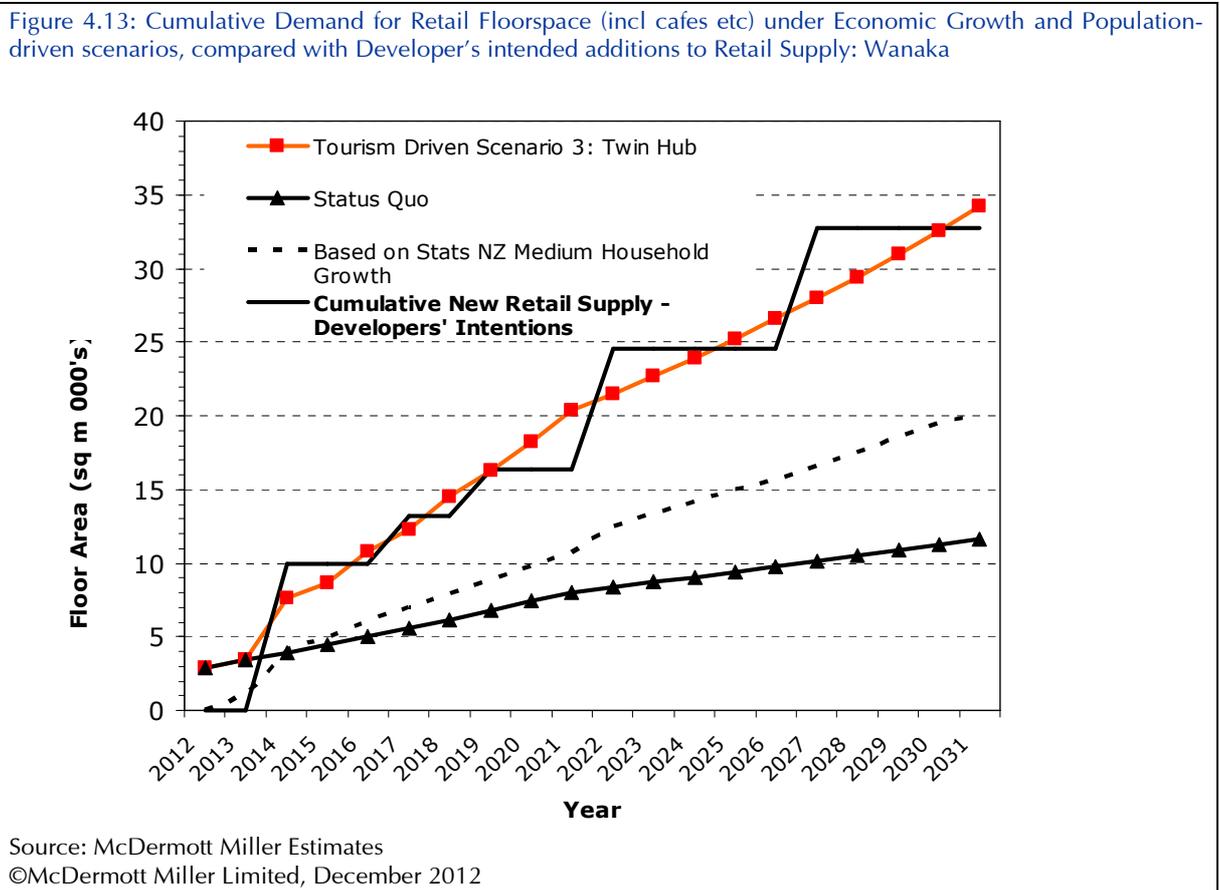
Wanaka

Figure 4.13 below shows estimated new retail floorspace in Wanaka Ward that could be supported by the retail spending increase in Figure 4.12 above. By 2021, retail spending would be sufficient to support an estimated increase in retail floorspace of:

- 8,000 m² under the Status Quo scenario;
- 20,400 m² under the Tourism Driven Scenario 3: Twin Hub scenario.

Using an estimate methodology based on Statistics NZ Medium household projection indicates a retail floorspace increase of some 10,700 m² would be supported by 2021.

In contrast, if developer’s intentions are realised the increase in retail supply by 2021 could be some 16,000 m². Again, according to these estimates, economic growth rates approach Variant 3: Twin Hub will be required to generate the tourism and household spending required to support this expansion.



4.7 Business Zone Land Demand Effects of the Economic Growth Scenarios

Figures 4.14 to 4.17 compare the town centre, business, industrial and mixed-use land required for the land-use/employment activities in Wakatipu-Arrowtown and Wanaka under the economic growth scenarios with current supply of vacant land. This demand is compared with available supply of vacant land zoned for commercial activities (less land committed to retail as estimated in Section 3.5).



4.7.1 Wakatipu-Arrowtown

- Under the Status Quo economic growth scenario by 2021 17.8 ha will be required, and 30 ha will be required by 2031.
- Under the Status Quo scenario by 2016 some 7.53 ha will be required, by 2021 17.8 ha will be required and by 2031 some 30 ha will be required (all from 2012 base).
- Under Tourism Driven Scenario 1 by 2016 some 17 ha will be required, by 2021 36 ha will be required and by 2031 some 61 ha will be required (all from 2012 base).
- Under the Tourism Driven Scenario 2 by 2016 some 30 ha will be required, by 2021 63 ha will be required and by 2031 some 114 ha will be required (all from 2012 base).

Figure 4.14 also includes business land demand projections based on Statistics NZ's Medium population projection and building consents trends:

- Under a population-driven employment growth projection based on Statistics NZ Medium growth projection, some 5.7 ha would be required by 2016, 13.3 ha by 2021 and 27 ha by 2031.
- Under a population-driven employment growth projection based on the *Queenstown Lakes Growth Projections* (report and spreadsheet, Rationale, March 2011) some 5.7 ha would be required by 2016, 16.3 ha by 2021 and 38 ha by 2031.
- A projection based on extrapolation of building consents data (over the period 2000-2012) indicates some 9.5 ha would be required by 2016, 21.3 ha by 2021 and 45 ha by 2031.

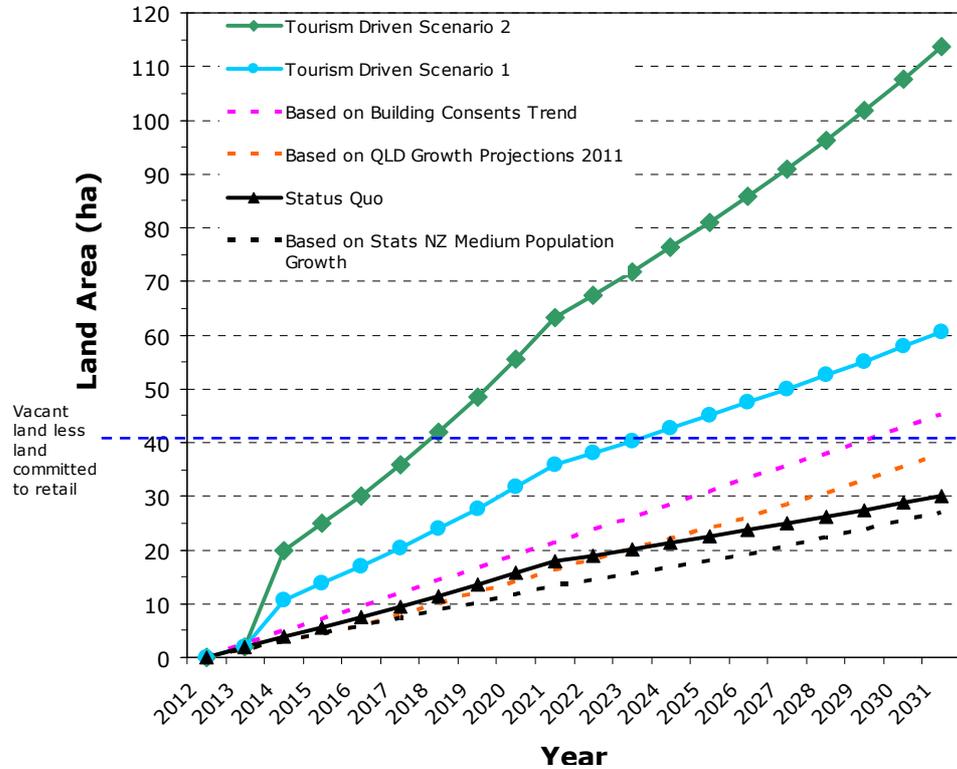
Compared to the current supply of vacant land (refer **Section 3.5**) of 41.1 ha Vacant supply of land would be exceeded under the:

- Tourism Driven Scenario 2 by 2018,
- And under the Tourism Driven Scenario 1 by 2024.



Available land supply would not be exceeded under any other scenario out to the 2031 horizon.

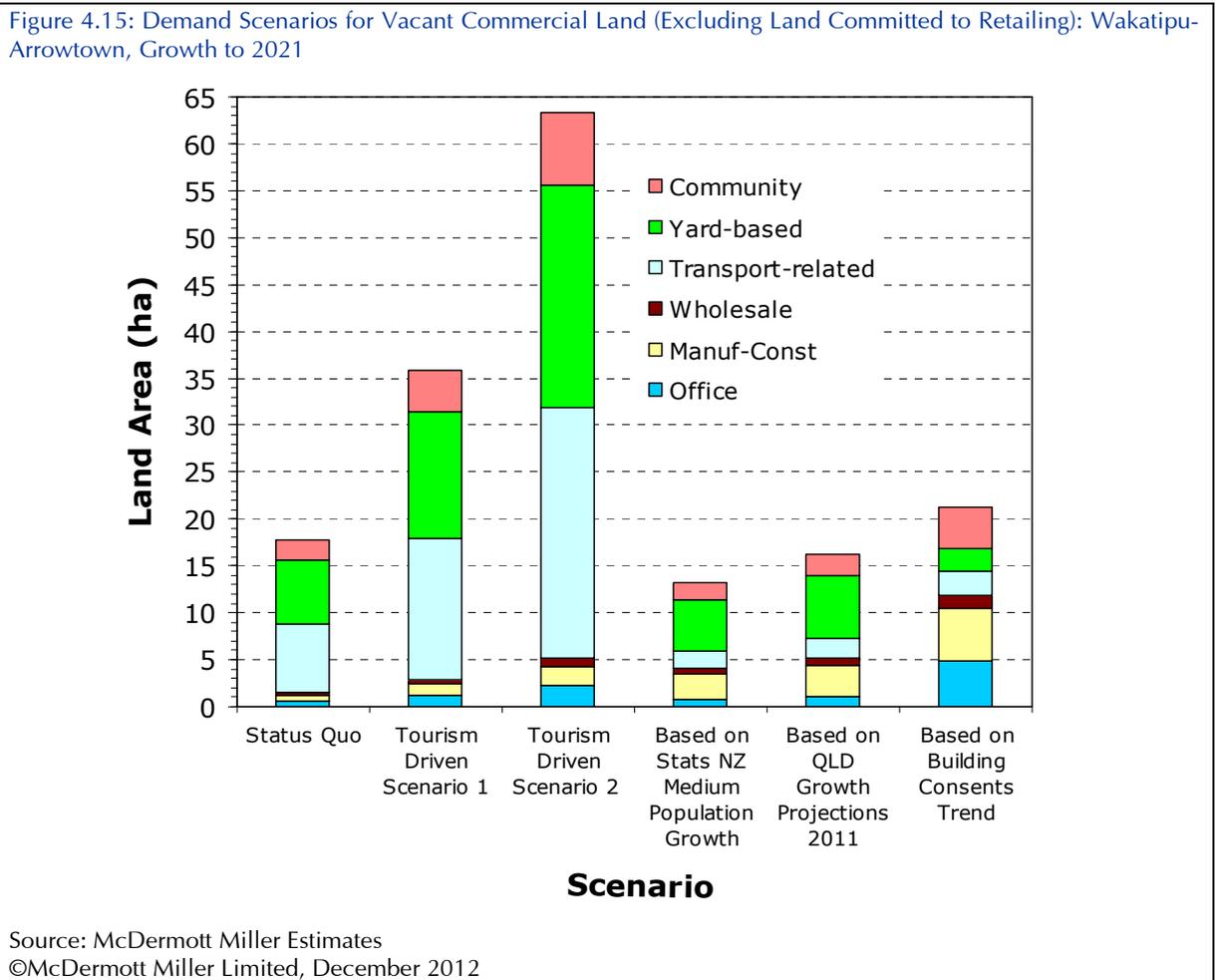
Figure 4.14: Demand Scenarios for Vacant Commercial Land (Excluding Land Committed to Retailing): Wakatipu-Arrowtown



Source: McDermott Miller Estimates
 ©McDermott Miller Limited, December 2012

Figure 4.15 below illustrates the breakdown of demand for commercial zoned land by the employment activities listed in **Section 4.3.1**. Land demand is dominated by yard-based and transport-related activities, but under Tourism Driven Scenario 3: Twin Hub scenario there would be a requirement for 2.5 ha of office activity which should be accommodated in an extended Queenstown Town Centre.

Graphs of growth in demand for commercial land by activity type in Wakatipu-Arrowtown over time are presented in **Annex IV**.



4.7.2 Wanaka

- Under the Status Quo scenario (**Figure 4.16**) by 2016 some 1.7 ha will be required, by 2021 3.9 ha will be required and by 2031 some 3.7 ha will be required (all from 2012 base).
- Even in 2031 this is well short of the current supply of 38.7 ha.
- Under the Tourism Driven Scenario 3; Twin Hub scenario (**Figure 4.16**) by 2016 some 6.6 ha will be required, by 2021 13.8 ha will be required and by 2031 some 25 ha will be required (all from 2012 base).

Figure 4.16 also includes business land demand projections as set out in Section 4.3:

- Under a population-driven employment growth projection based on Statistics NZ Medium growth projection (with the population-driven employment growth projection based on the *Queenstown Lakes Growth Projections 2011* giving similar results) some 2.3 ha would be required by 2016, 5.5 ha by 2021 and 11.8ha by 2031.
- A projection based on extrapolation of building consents trends (over the period 2000-2012) indicates some 6 ha would be required by 2016, 13.4 ha by 2021 and 28 ha by 2031.

Compared to the current supply of vacant land (refer Section 3.5) of 38.7 ha vacant supply of land would not be exceeded under any scenario out to the 2031 horizon.

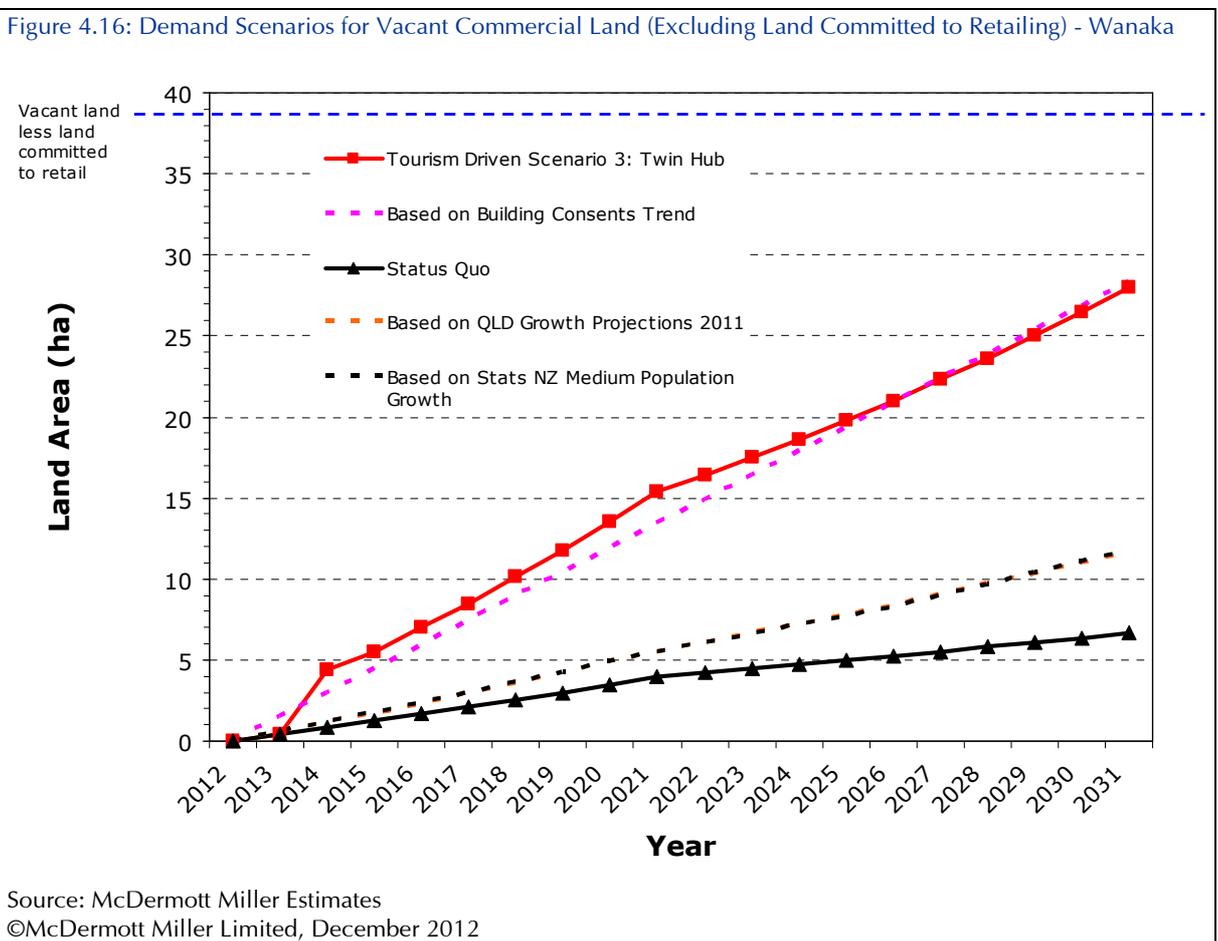
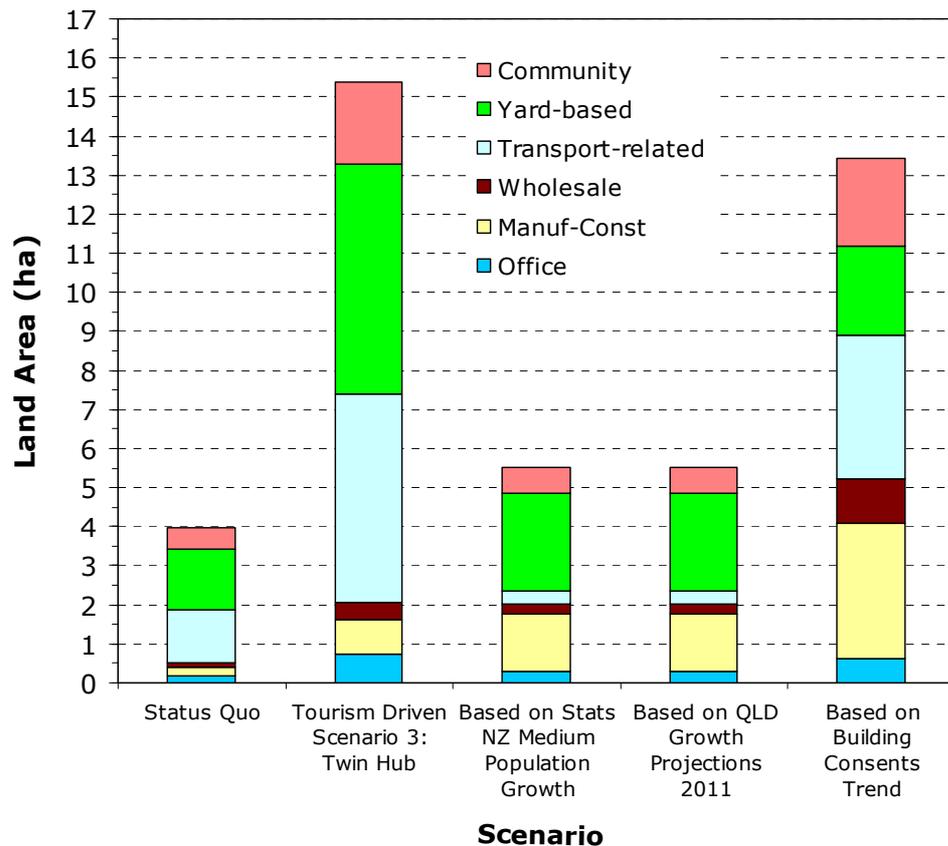


Figure 4.17 below illustrates the breakdown of demand for commercial zoned land by employment activity. Under Tourism Driven Scenario 3: Twin Hub scenario there would be a requirement for 0.75 ha of office activity which should be accommodated in Wanaka Town Centre

Again, graphs of growth in demand for commercial land in Wanaka by activity type over time are presented in **Annex IV**.

Figure 4.17: Demand Scenarios for Vacant Commercial Land (Excluding Land Committed to Retailing) – Wanaka, Growth to 2021



Source: McDermott Miller Estimates
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4.7.3 Potential Vacant Land Supply Constraints

Shortage of Vacant Town Centre Zoned Land and, Potentially, Business Zoned Land in Wakatipu Arrowtown

The conclusion of the assessment of commercial land needs based on population projections and building consents trends (refer **Section 4.3**) are that while there is an adequate supply of land zoned for commercial purposes, there is an acute shortage of vacant Town Centre land in Queenstown, and an emerging shortage of business zoned land (at most 8 year's supply in Wakatipu-Arrowtown under the Statistics NZ "Medium" population growth-based projection, or as little as 3 year's supply under the building consent-based projection).



As illustrated in **Figures 4.14** and **4.15** above, the higher growth rates that would be associated with the Tourism Driven Scenario 1, and even more so under Tourism Driven Scenario 2, mean that the supply of commercial land would be taken up after 2018 under Tourism Driven Scenarios 2 and 3, and 2024 under Tourism Driven Scenario 1, Business Zoned land in particular would be all taken up after:

- 2014 under Tourism Driven Scenarios 2 and 3; and,
- 2016 under Tourism Driven Scenario 1.

The supply of vacant industrial land would be taken up after:

- 2019 under Tourism Driven Scenarios 2 and 3;
- 2028 under Tourism Driven Scenario 1.

Queenstown Town Centre land shortage

- The shortage of Town Centre Zoned land in Queenstown is a serious constraint on realisation of the Tourism Driven development scenarios 1, 2 and 3. The developments (examples are listed in **Table 4.2**) required to achieve accelerated tourism growth will require an expanded Town Centre, with possibly some relaxation to bulk and location rules to allow for more intensive development.
- In the absence of vacant Town Centre zoned land concrete proposals for retail development in Queenstown CBD or Gorge Rd no allowance has been made for net new retail floorspace in these areas, but this does not rule out the possibility of interest in investing in commercial mixed-use redevelopment in Queenstown Town Centre Zone to support international tourism growth.
- The Queenstown Town Centre zone needs to be expanded urgently and over the long-term used more intensively to accommodate long-term commercial demand growth.

Retail Frankton Flats land surplus

- Current plus proposed retail floorspace (m² GFA) supply growth in 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.
- Including floorspace supported by growth in restaurants, cafés, etc, spending in Frankton Flats would take this to 58% in 2031.

Shortage of Vacant Town Centre Land in Wanaka

The analysis in **sub-sections 4.3** and **4.7** indicate that there is sufficient commercial zoned land in Wanaka overall. Under the Status Quo scenario, there would be sufficient Town Centre land out to the planning horizon. However, vacant Town Centre zoned land would be taken up after 2019 under Tourism Driven Scenario 3: Twin Hub.

4.7.4 Accommodation Demand Effects

We have not included demand for land to be used in accommodation in the above analysis for the following reasons:

- Based on both our consultation, and Statistics NZ Commercial Accommodation survey data, there is considerable slack capacity in the accommodation sector. On an averaged annual basis, occupancy rates are some 50% in the Destination Queenstown area, and 30% in the Lake Wanaka Tourism area.
- Land zoned High Density Residential is used for hotel development (for example the Kawarau Village) and we were not commissioned to review this Zone.



- Most commercial accommodation stay-units in Wanaka-Arrowtown are not in the Queenstown Town Centre zone rather they are in the High Density Residential Zone. (we have not estimated this percentage)
- The future split of accommodation between the two zones would be sensitive to the boundaries of the expanded Town Centre.

We note however that:

- As illustrated in **Figure 4.18** below, under the Status Quo projection annual average occupancy rates in Wakatipu-Arrowtown would approach 80% towards 2031.
- Under the Tourism Driven Scenario 1 projection, this 80% mark would be approached around 2021.
- And, under Tourism Driven Scenario 2 the 80% mark would be approached around 2018.

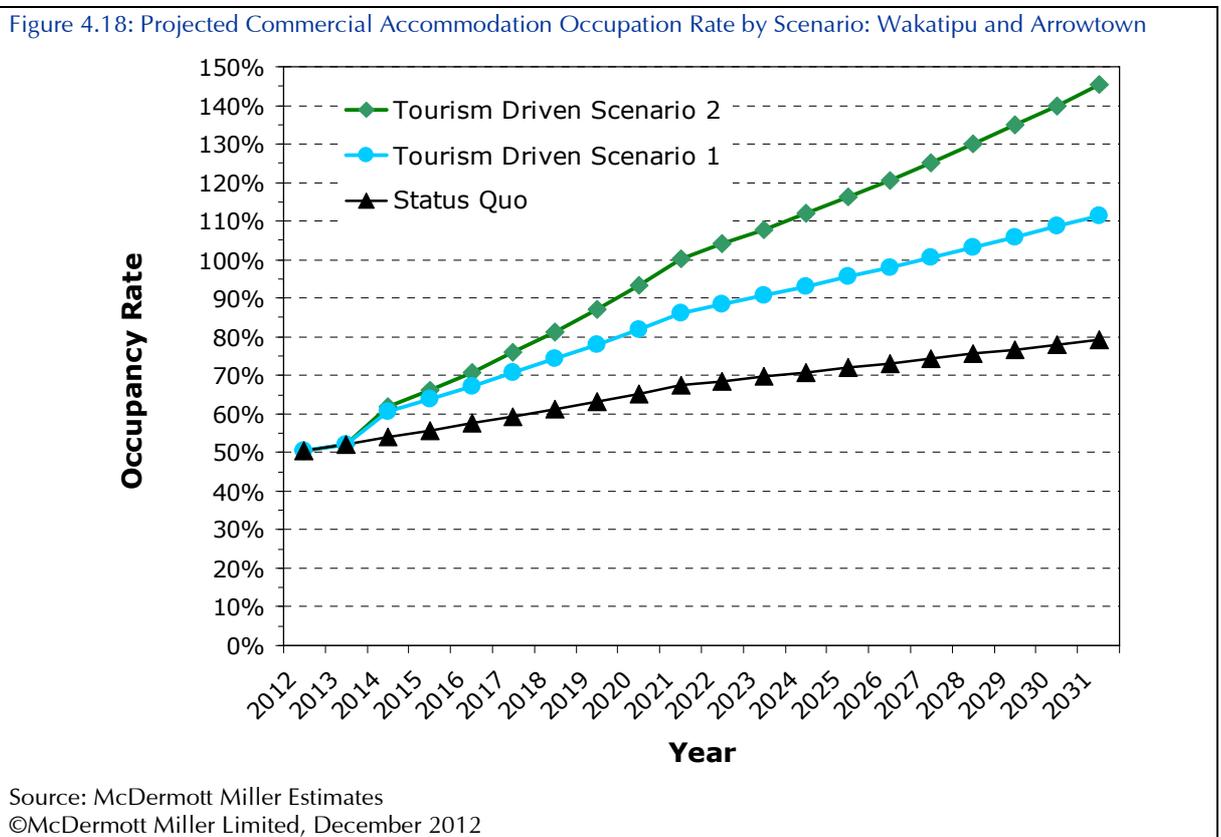
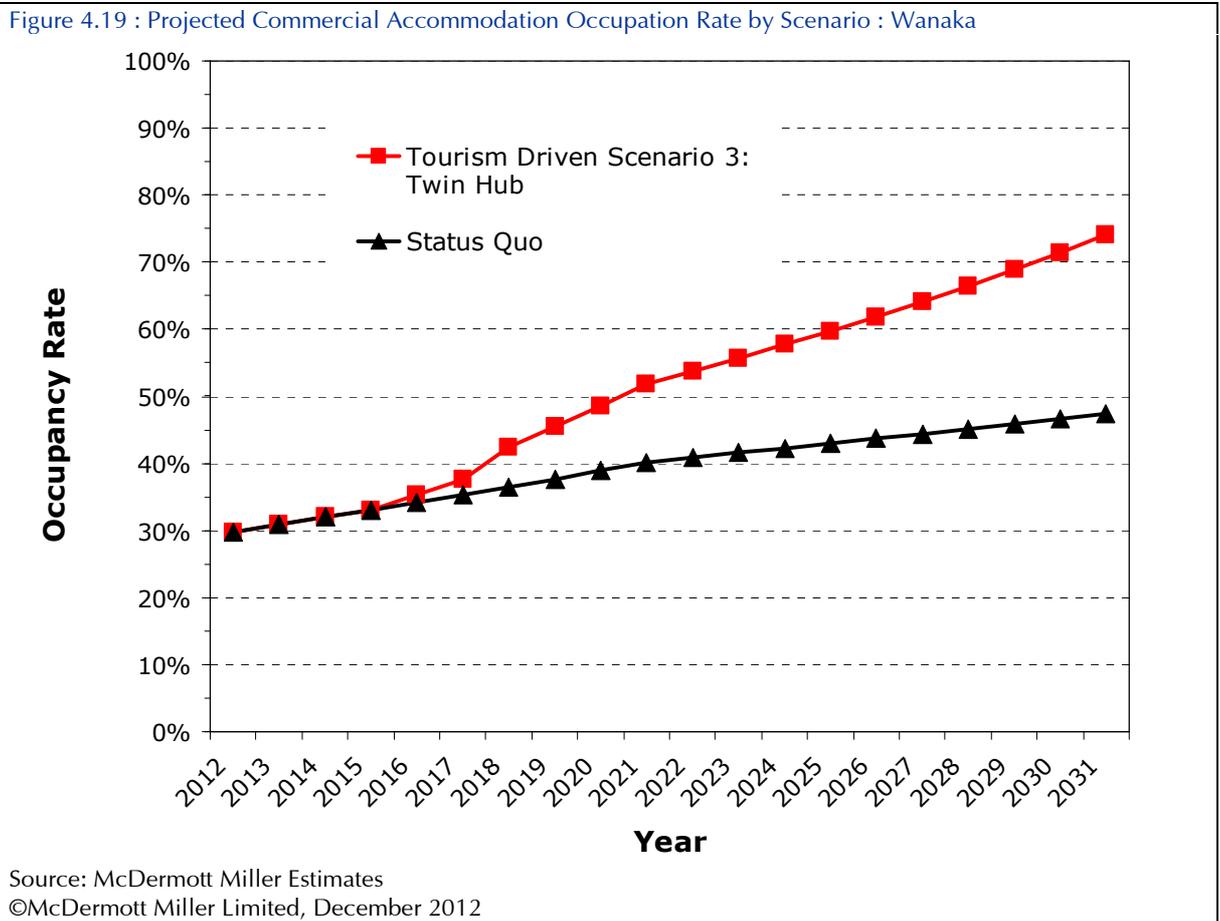


Figure 4.19 indicates that in Wanaka under the Tourism Driven Scenario 3: Twin Hub scenario 80% occupancy would be approach towards 2031.



We envisage the development of accommodation under Tourism Driven Scenarios 2 and 3 would concentrate, at least initially, on upgrades in quality rather than expansion in quantity of supply. We point out that a future refinement of the assessment presented here could involve allocating future expansion in accommodation supply between the High Density Residential Zone and the (expanded) Queenstown Town Centre.

4.8 Conclusion to Section 4

- It is clear from our consultation that Queenstown Lakes District businesses aspire to rapid economic growth for their District. The slowing of growth in recent years (as shown as Section 2.4), compared to boom of the early-to-mid 2000s is perceived as an aberration, and a return to high rates of growth is expected.
- There is less agreement on how a high-growth path can be regained. A number of approaches are conceivable:
 - The first involves focusing development on the industry in which the District has a clear competitive advantage – tourism. The tourism product offer would be intensified and new products (eg conference centres) would be concentrated in and around first Queenstown Town Centre and later Wanaka Town centre.
 - Another involves dispersion of economic activity away from the existing Town Centres. This involves greatly increasing the supply of retailing (aimed initially at the resident market) on Frankton Flats, with



accompanying dispersal of commercial office and community activity. A further step in this dispersal is the creation of a new visitor accommodation and activity node in Activity Area 3 of Remarkable Park Zone.

- A third involves “diversification” of industry – of fostering new base industries (which earn most of their income from markets located outside the District) which then “drive” economic development. New retail space which primarily serves a resident market is not a base industry and does not constitute diversification.
- Our consultation and research has not revealed any new, significant potential base industries. Potential activities which have been repeatedly mentioned, eg conference centres, “medical tourism” ventures and tertiary education ventures can be seen as intensification of the tourism product offer, rather than industry diversification to other sectors.
- The Queenstown Lakes District Predictive Economic Model McDermott Miller has developed has been used to estimate the benefits of realistic economic scenarios. In light of this we conclude that returning Queenstown Lakes District to a high economic growth path requires intensification of the tourism industry and product offer and its concentration in the (expanded) Queenstown Town Centre, followed later by the Wanaka Town Centre. Reasons for this are set out in following **Sections 5 and 6** below.



PART III: EVALUATION OF DEVELOPMENT OPTIONS

Topics Covered In Part III:

- Towards a centre based development Strategy
- Strategic Issues and Initiatives
- Towards a zoning hierarchy – Queenstown Lakes District Plan
- Summary of Conclusions



5 TOWARDS A CENTRE BASED DEVELOPMENT STRATEGY

5.1 Introduction

In this section we outline two possible scenarios for commercial-retail development in Queenstown Lakes District; first, if there is no change in Council's policy; and, second if the Council adopts a clear long term strategy to guide and manage economic and urban growth, inter alia, through the District Plan and active management of development.

We assume with both scenarios that future urban development plans within the District will be driven by growth in visitor spend and related investment in the tourism sector relatively more than by growth in permanent resident population and household spend.

5.2 Scenario One: Dispersion - Uncoordinated Private and Public Plan Changes and Development Initiatives Continue

In this scenario Queenstown CBD is assumed to remain contained within its present boundaries. Meanwhile Gorge Road business zone retail stores continue to serve a shrinking share of the resident household as well as much of the tourism market.

In contrast, the supermarket, department stores and other large format retail stores in Remarkables Park Shopping Centre provide essential goods to an increasing share of Queenstown households and compete with Queenstown Town Centre for tourism (particularly domestic tourism) spend.

If developers' intentions are realised, over the next five years on Frankton Flat there will be (refer **Table 3.1** for estimated floor areas):

- Large format retail development, commercial office development cinema and "public amenities" in an expanded (by Plan Change 34) Remarkables Park Shopping Centre.
- 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.
- Development of the Shotover Park retail centre (if consents are obtained), with the first stage being a PAK'nSAVE supermarket and Mitre 10 Mega store to be followed by other "home" stores.

Beyond this there may be:

- further development of "Riverside Peninsula" as a visitor accommodation and activity centre
- expansion of Five Mile Retail Centre onto Area C1 of Frankton Flats Special Zone (B) (Plan Change 19 land)
- Ground floor retail in Area C2 of Frankton Flats Special Zone (B).

Our research shows the estimates of year-round population and household numbers underlying retail planning to date (eg the Queenstown Lakes District Growth Projections report Rationale, March 2011) are overstated. This may be compounded by overestimation of the average household's spending on household goods, through not taking into account households consisting of short-term workers on working holiday visas..



Benchmarking Wakatipu-Arrowtown against other Districts shows it may (if all planned developments on Frankton Flats are realised) have a supply of grocery and comparison retail floorspace by 2021 which is typical of districts with 2-3 times the number of households Wakatipu Arrowtown is likely to have by that time.

Taken together, these factors mean there is likely to be emerging oversupply of retailing in Wakatipu-Arrowtown aimed at the resident household market.

If the retail provision on Frankton Flats in the Frankton Flats Special Zones A and at Remarkables Park Zone expands as developers intend, we would expect the following:

- Most of the floor area in the existing Remarkables Park Shopping centre is in large format stores, and further development on Area 5 and Shotover Park will also be predominantly be large format, but we understand it will be seeking medium to small format retail stores and businesses to occupy “shop front” (non-retail) floor space and level two office space.
- Five Mile Retail Centre is likely to contain medium and small format stores (building outlines are shown in the most recent plans, but not individual tenancies). Future retail development on Activity Area 3 of Remarkables Park’s zone will be small format, tourist-oriented stores.
- These developments will challenge Queenstown CBD’s ability to maintain its share of remaining resident market spend and, in time, could undermine its specialist retail role in the tourism market.
- A possible response to over supply of retail land may be that one or more of the planned Frankton Flats developments fails or at least stalls, thereby bringing the land market nearer equilibrium and reducing the immediate (but not long term) pressure on Queenstown Central retailers and businesses.
- In our view, the combination of limited retail chain store tenants not currently in Queenstown, combined with rapid expansion of retail supply in relation to consumer spending growth, will mean that the new and expanding shopping centres in the Frankton area will attempt to attract tenants already present in Queenstown to the new centres. While a very few chains already have outlets in both Queenstown CBD and Frankton Flats (eg Whitcoulls, WildSouth) it is unlikely that many others will consider the market is large enough to take this approach. For these the choice will be to relocate from Gorge Rd or Queenstown CBD to the new/expanded Frankton Flats centres.
- There also is a likelihood some existing Queenstown CBD retailers will be attracted to relocate to the new/expanded Frankton Flats centres, particularly if they serve a largely local clientele.
- Also new entrants to the Queenstown market, competing for the local market while paying lower rents in Frankton Flats (possibly with incentives) could mean some closures.
- If Queenstown Town Centre proprietors dependent on the resident market perceive a shift in shopping patterns of residents from Queenstown CBD to Frankton Flats, they may relocate.
- While the spaces they vacate are unlikely to remain vacant indefinitely, there is likely be a reduction in the range of goods on offer to tourists in Queenstown Town Centre.

The consequences of this dispersion and over-supply of commercial-retail supply are likely to be:

- Erosion of existing agglomeration economies as office tenants disperse between the Queenstown Town Centre and Frankton Flats cluster.
- Low commercial performance of new floorspace resulting in persistent vacancies in new retail floorspace.
- Reduction of retail opportunities within walking distance for residents in Queenstown Town Centre and Gorge Road, meaning a loss in accessibility and increased need to make vehicle trips.
- Requirement for infrastructure (roads, water, waste – water etc) which could be under-utilised.



An even more significant issue for Queenstown is the putative emergence of a second visitor-oriented centre at Activity Area 3 of Remarkable Park Zone (refer p 12-69 of the District Plan as amended by Plan Change 34). Dispersion of tourism facilities while there is capacity for new development and upgrading of accommodation, cafes and restaurants in and the existing Queenstown Town Centre (and adjacent areas earmarked for rezoning as Town Centre) would have the following consequences:

- Reduced investment in tourist facilities in and around Queenstown Town Centre;
- Reduced range and quality of product offer in the Town Centre to those visitors without vehicles,
- Reduced accessibility of shops, restaurants visitors on foot.
- Risk of oversupply of accommodation before demand has risen, ie risk persistence of current relatively low occupancy rates and consequently low commercial performance of accommodation sector.
- Puts at risk Queenstown Town Centre's competitive advantage arising from the combination of its alpine setting, nearby adventure activities and comprehensive range of accommodation, restaurants and other nightlife activities within a compact urban form.

5.3 Alternative Scenario Two: Intensification of Urban Development within agreed District Economic Strategy

In contrast to the Dispersion scenario arising under the current District Plan and plethora of plan changes, this scenario envisages an agreed economic strategy of intensified urban development. Such a strategy would aim at generating a counterweight to the development of resident-oriented retail on Frankton Flats and forestall a similar trend in tourism development. It will generate agglomeration economies within the Queenstown-Wakatipu area by stimulating and enabling intensification of economic activity in Queenstown Centre specifically. To advance this, the Council should:

- Extend Queenstown Town Centre as defined in the District Plan to encompass at least the area of possible expansion identified on page 39 of the *Queenstown Town Centre Strategy 2009* (see map over page **Figure 5.1**); and, preferably further along Gorge Road to the North and to the South-West between Lake Esplanade and Ben Lomond Scenic Reserve.
- Possibly further extend the Town Centre to also encompass the existing Gorge Road Business Zone.
- Use non-RMA methods to encourage tourism and commercial-retail development to concentrate in the Queenstown Centre (refers **Section 7.5** for further discussion of such methods).
- Promote intensive development of hotels, a conference centre and extended casino, restaurants and cafes, entertainment and cultural venues, high-end retail stores, and commercial offices in the expanded Queenstown Town Centre.
- Work with Destination Queenstown to develop a marketing strategy which gives more emphasis to attraction of high-spending international visitor segments than domestic tourists.
- Focus on Queenstown Town Centre as the principal centre for tourism activity in the District over the next decade, and then switch emphasis to developing Wanaka as an international tourism destination, ie implementing a "Twin Hub" strategy.

Figure 5.1: Areas for Possible Expansion of the Queenstown Town Centre



Source: Queenstown Town Strategy 2009

The strong economic growth scenarios we have generated (Tourism Driven Scenario 2 and Tourism Driven Scenario 3: Twin Tourism Hubs) are predicated on this form of centre based, intensive development approach. **Table 4.2** describes the scenarios and their underlying assumptions).

Expansion of the Queenstown Town Centre zone is essential to this approach. It will both relieve pressure on land values in Queenstown Town Centre and will ensure high value commercial activities can locate within it rather than in locations far from the hub of tourism activity.

Agglomeration Economies should ensue

Intensifying development in Queenstown Town Centre (albeit an extended Town Centre per the 2009 Queenstown Town Centre strategy) will facilitate “agglomeration economies” or “urban economies of scale”. (NB: The principles of agglomeration economies are set out in *Impact of urban form on transport and economic outcomes* Donovan et al, NZTA Research Report 513, January 2013).

In essence, agglomeration economies:

“describe the external economies of scale that arise from spatial concentrations of economic activity”:



In the Queenstown context, intensification of development in Queenstown Town Centre could facilitate the following types of economies of scale:

- “Learning spillovers” in which business people involved in the tourism industry and in professional office-based business in the Town Centre exchange ideas;
- “labour market pooling” – location of jobs close to worker’s workplace
- “Fiscal externalities’ – savings on infrastructure and other public goods.
- “Consumer benefits” – in this case the consumers who will benefit include both residents who benefit from the concentration of nightlife, and tourists who benefit from the concentration of “tourism characteristic businesses” in the Town Centre.

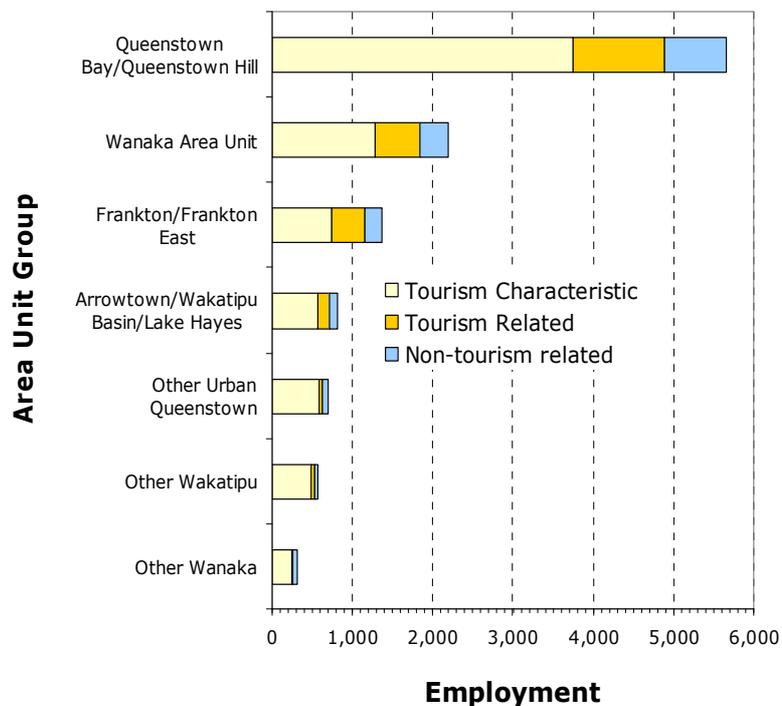
A prime indicator of agglomeration economies is high land values. These are less an indicator that a place is too expensive to do business, than an indicator that there are significant advantages for businesses which choose to locate there. On this basis, Queenstown Town Centre already clearly exhibits agglomeration economies.

Not only is there dispersion to Frankton Flats, but there is prospective dispersion within Frankton Flats (Remarkables Park Shopping Centre, Five Mile Retail Centre, Shotover Park and retailing within Plan Change 19 area).

Distribution of Employment

Figure 5.2 below illustrates the possible distribution of employment under this scenario; of the total of 11,600 jobs generated across the District (including those generated through direct, indirect and induced effects) to 2021, nearly half would be in the central Queenstown area formed the combination of the Queenstown Bay and Queenstown Hill area units.

Figure 5.2: Total Employment (including direct, indirect and induced effects) Increase under Tourism Driven Scenario 3: Twin Hub Growth to 2021



Note: Area Units are sorted in descending order of employment in tourism characteristic industries.
 Source: McDermott Miller Estimates
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5.4 Evaluation of the Development Scenarios

The consequences of intensifying and concentrating of tourism accommodation, attractions and activities in an expanded Queenstown Town Centre zone are:

- Existing agglomeration economies will be reinforced, rather than undermined as under the Dispersion scenario.
- Concentration of commercial offices in the extended Town Centre will facilitate “Learning spillovers” between professional and business services which could contribute to development of markets outside the District ie help the diversification of the District’s economic base as well as intensification of its principal industry.
- Destination Queenstown will be able to present a more coherent product offer to the world as part of a marketing strategy involving matching differentiated tourism products to high-value market segments that if accommodation and other visitor facilities are increasingly dispersed.
- Residents as well as tourists will benefit from accessibility (by foot) to retail and nightlife.
- Provision of infrastructure to new buildings is likely to be more economic if these are concentrated rather than dispersed.

Planning Balance sheet evaluation of Scenarios

In **Table 5.3** below, we present a Quadruple Bottom Line Evaluation Balance Sheet of the likely impact to the respective development scenarios. This summarises how the two scenarios might perform across a range of economic, social environmental and cultural criteria. Planning balance sheets are discussed further in **Section 6** below.

This Quadruple Bottom Line Evaluation Balance Sheet does not extend to how the effects of the alternatives are distributed both over time and between different sectors of the community. This is addressed in the Planning Balance Sheet presented in Section 7. in which we consider the merits of the District adopting a zoning hierarchy

Most beneficial strategic choice

The planning balance sheet is a prima facie illustration of the advantages of the *Intensification: Urban Strategy* compared to the current approach where uncoordinated public and private initiatives are leading to dispersion of development.

In the next section we explain why a Zoning Hierarchy is an essential element of *Intensification: Urban Strategy*. We then discuss in **Section 7** how Queenstown District Council can implement a Zoning Hierarchy through the District Plan and other methods.



Table 5.3: Quadruple Bottom Line Evaluation Balance Sheet

Evaluation Criteria	Commercial-Retail Development Scenarios	
	Scenario One: Dispersion: Current Approach - Uncoordinated Private & Public Initiatives	Scenario Two: Urban Intensification
District Council's Strategic Outcomes		
"A strong and diverse economy" (LTCCP 2012-22)		
Economic		
Tourism-driven economic benefits by 2021:		
- Total New Output:	\$421M	\$1648M
- Total Value Added:	\$214M	\$838M
- Total New Gross Household income:	\$131M	\$511M
- Total Jobs Created:	2,982	11,595
Residential Retail Spend Leakage Reduction-driven economic benefits by 2021:		
- Total New Output:	\$42M	\$42M
- Total Value Added:	\$24M	\$24M
- Total New Gross Household income:	\$16M	\$16M
- Total Jobs Created:	461	461
Principal location for new economic activity	Frankton Flats Cluster	Queenstown Town Centre
Agglomeration economies	- -	++
Development impact, as measured by the change in sales of existing Queenstown Town Centre retail	-	++
Contribute to resilience and sustainability of economy	-	++
Contribution to diversification of economy	0	+
Contribute to building economic self-sufficiency	-	+
Accommodation stay-units requirement		
Social		
Makes visitors welcome and caters to their needs	0	++
Attract people to settle in the district, including buying properties to live in	0	++
Create job opportunities to retain young people educated/trained in the District	0	++
Create/foster recreational opportunities for residents	+	++
Provides retail choice for residents	++	++
Accessibility of retail and related services to residents	+	++
Accessibility to centres of employment	-	++
Local community impacts - effect on character of individual	-	+
Environment		
Promote high quality urban environments	-	++
compatibility with the District's iconic landscapes.	- -	0
Accessibility of retail and services by walking, cycling	- -	++
Compatibility with infrastructure/service needs & thresholds	-	+
Environmentally sustainable	?	+
Cultural		
Enhance Queenstown's international iconic Alpine image	-	+
Preservation and celebration of the district's local cultural heritage	0	+
Contribution to the cultural life of the District's communities,	0	+
Enhancing residents' sense of community identity.	0	++
Risks		
Over-supply of retail relative to size & growth of resident market	?	?
Over-provision of tourism facilities relative to market growth	?	?

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6 STRATEGIC ISSUES AND INITIATIVES

6.1 Key role of Queenstown CBD and its significance for international tourism and the District economy

The Queenstown CBD is widely acknowledged to be the key tourist centre of the District. It contains the majority of commercial accommodation facilities, restaurants, cafes and bars, a casino, major tourist attractions such as the Skyline Gondola and the “Earnslaw” steamer with strong connections to other principal tourist attractions of the District such as the Coronet, Remarkables and Cardrona ski-fields, golf courses, internationally recognised scenic walks such as the Routeburn and cycle tracks.

International and domestic visitors stayed around 4.1 million visitor nights in Queenstown Lakes District in the December 2012 year and spent approximately \$930million in the District. Around 78% of all these visitor nights were spent in Queenstown/Wakatipu (22% in Wanaka) and around 61% of all visitors to Queenstown CBD are international visitors.

Queenstown CBD is also the administrative centre of the District, containing the headquarters of the Queenstown Lakes District Council, the District Court, Queenstown Police Station, primary and tertiary education schools and a range of other central and local government activities and agencies. It is also the commercial centre of the District where the majority of professional services (legal, accounting, insurance etc) are located, as well as most of the District’s commercial and retail businesses.

It is the largest centre of employment in the District. In 2011 around 43% of the District’s jobs (6,900) were in Central Queenstown compared with 20% (3,200) in Wanaka town and 15% (2,400) in Frankton Flats.

We also note the responses to the business to business survey conducted for this project in September 2012 and by key stakeholders interviewed in October 2012 all agreed that the CBD is the key centre of the District and should stay that way.

Queenstown CBD is therefore the tourist, administrative, commercial and employment centre of the District, reflecting considerable public and private investment over a long period and fulfilling a fundamental role for the District.

6.1.1 Threats to the role of Queenstown CBD

The vitality and amenity of Queenstown CBD as the District centre and its leading role as the centre and driver of the District’s tourist industry is threatened by a number of issues, including:

- Declining quality of the tourist offer in:
 - commercial accommodation;
 - retail product offer and standard of retail premises; and,
 - difficulties in maintaining good order at times
- Low public and private investment in amenities, facilities and services.
- Limited zoned space for CBD expansion and prohibitive costs of redevelopment.
- Potential dispersion of key functions, commercial accommodation, retailing and other activities to suburban centres and elsewhere.



Forthcoming key decisions, such as the building a conference centre within the CBD may well help to overcome some of these threats and encourage other new investment to improve the performance of the CBD as the District centre.

6.1.2 Need to enhance the Queenstown CBD to achieve high tourism growth

The overriding importance of tourism to the Queenstown Lakes District economy as reported in **Section 2.1** above and acknowledged by stakeholders (**Section 4.2.1**) and business is well established. In our view, building on the District's principal industry by investing in the opportunities arising from the District's unique competitive advantage in tourism product will show the greatest growth in its economy over the long term

As noted in **Section 5.1** above, the Queenstown CBD is the recognised urban centre of the District economy and especially of its tourist industry. However as also noted in **Section** Error! Reference source not found. above the CBD's capability to sustain its pre-eminent tourism role is at risk.

Essentially, the District depends upon its tourist industry for its economic, social and cultural wellbeing, the national economy benefits from it. The CBD is the dominant provider of tourist facilities and services for this purpose, but some of them are at risk. Therefore, future public and private sector investment, (such as a conference centre and upgrading the quality of accommodation and retailing), must be made in the CBD to enhance its leading role in New Zealand's pre-eminent alpine tourist destination for the benefit of the District and New Zealand as a whole.

6.2 Wanaka's future role as twin international tourism resort with Queenstown

In **Section 2.3** above we showed that, in the 2012 year, around 36% of the jobs in Wanaka are "tourism characteristic" (jobs in accommodation, cafes, bars, restaurants, transport services, attractions and activities) and another 15% are "tourism related" (in retail and related goods, education & training). In other words more than 50% of the jobs in Wanaka are supported by the tourism industry. At the same time, Wanaka is the second largest employment centre in the District (20% of all jobs). These substantial shares of the District economy (as measured by jobs) means Wanaka already has a very substantial investment in the success of the tourist industry and in turn is the second only to Queenstown CBD as a tourist centre.

Visitors to Wanaka in the 2012 year spent around 889,000 visitor nights which is about 22% of the total number of visitor nights spent in the whole District.

Wanaka's visitor profile differs from that of Queenstown. Proportionately more visitors to Wanaka are domestic visitors, (domestic visitor nights in Wanaka were 44% of all its visitor nights in 2012), than is the case for Queenstown (where 40% were domestic visitor nights). Moreover the rate of growth of numbers of domestic visitor nights has been much higher in Wanaka, (18% increase in 2011-2012) than in Queenstown, (domestic visitor nights have been declining in absolute numbers and share of all Queenstown visitor nights since 2007).

However the majority of tourists in both parts of the District are international who stayed 56% of all visitor nights (499,000) in Wanaka and 60% (1,829,000) in Queenstown.

Clearly Wanaka is already a major player in the District tourist industry, and very much more significant than any other centre in the District other than Queenstown CBD. Importantly too, Wanaka offers some different experiences, facilities and services aimed at different segments of the tourist market than do other parts of the District. This makes Wanaka principally a partner with Queenstown for tourist industry growth, rather than a head to head competitor. Given the opportunities for growth in the tourist market, Wanaka's well established position as provider of tourist attractions, facilities and services and the complementary nature of its offer in terms of market segments and product, Wanaka should continue to be a strong partner for Queenstown in the international tourism market in the future.



6.3 Supporting role of Frankton & Arrowtown Suburban Centres and Rural Centres

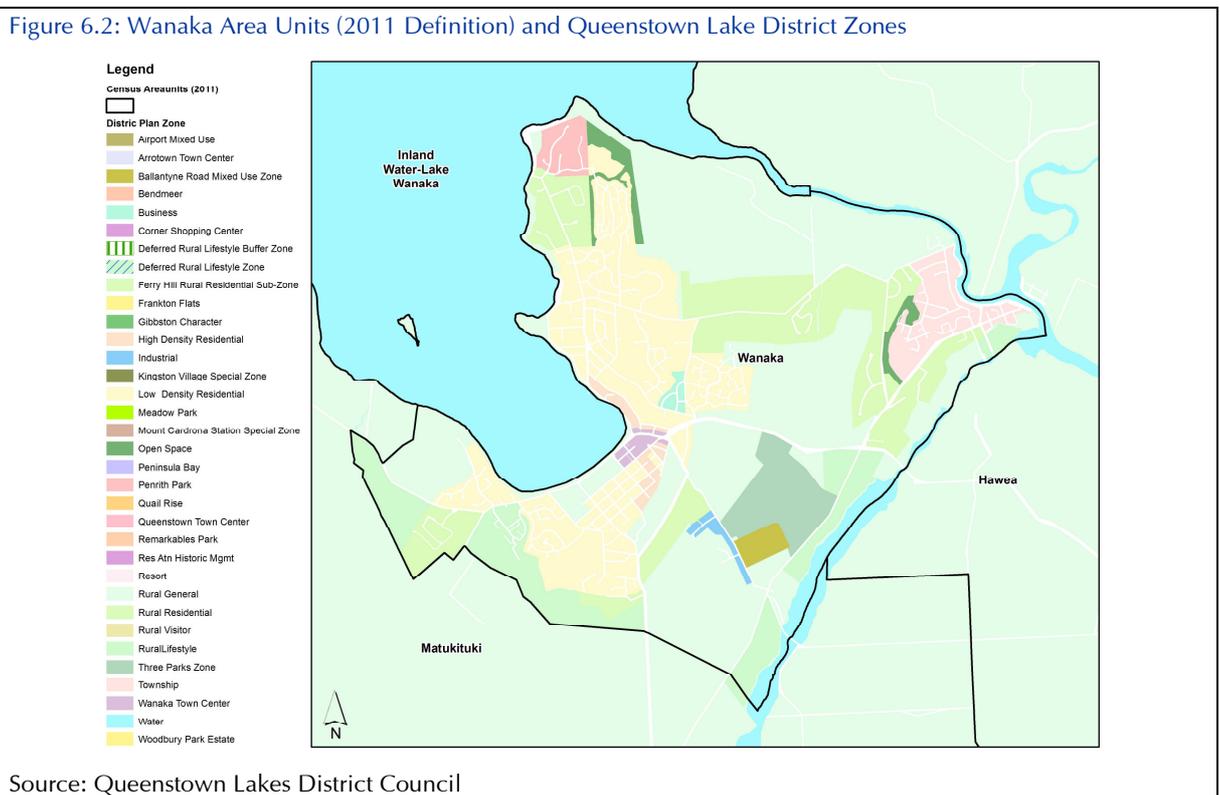
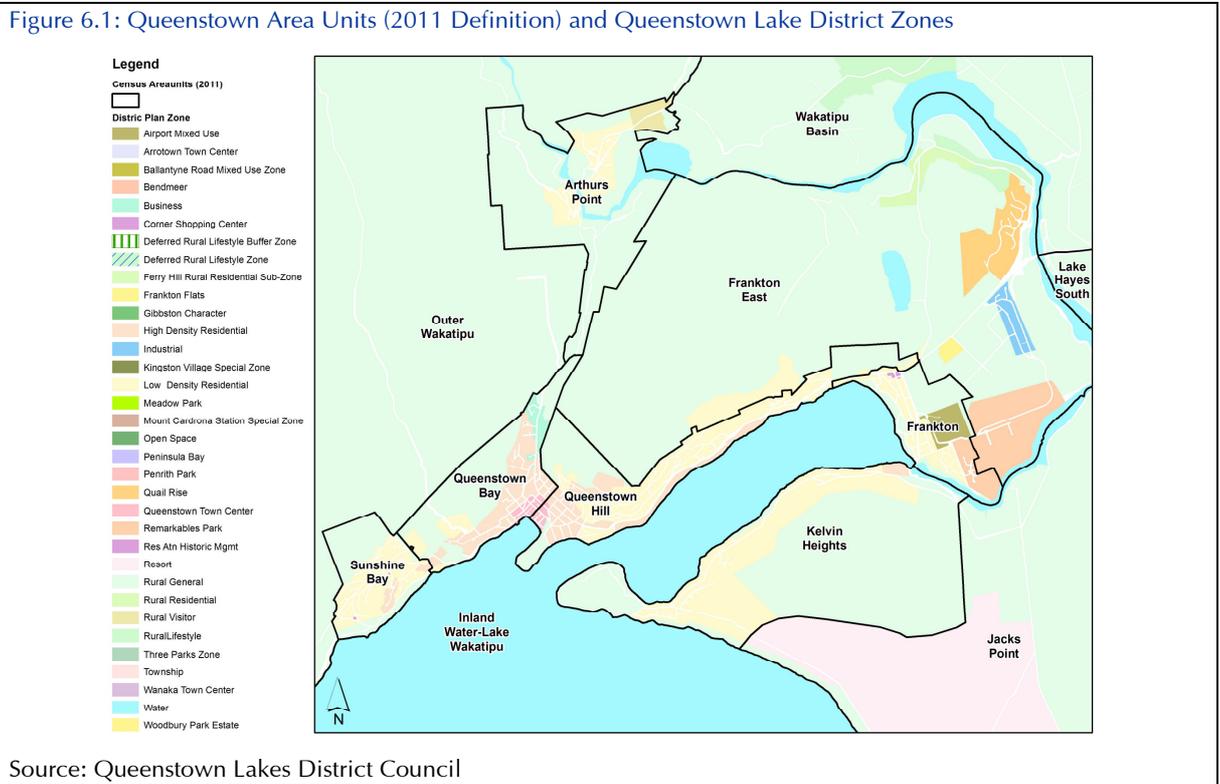
Although Queenstown and Wanaka are the major centres of population and economic and social activity in the District there are a number of other centres. These fall into two groups:

- suburban centres of Frankton Flats and Arrowtown, which are adjuncts to Queenstown; and, rural townships, principally Albert Town, Glenorchy, Hawea and Kingston.
- These centres will continue to support the principal roles played by Queenstown and Wanaka in the life and economy of the District.



Suburban Centres.

Frankton Flats area is a growing residential area situated currently on two sides of the Queenstown Airport and containing two retail nodes – one in Remarkables Park and the other adjacent to the airport. The area currently has around 2,400 jobs largely associated with the airport and also in the retail areas.





6.4 Development Issues

6.4.1 Queenstown Lakes District's economy has not diversified significantly

- Queenstown is New Zealand's prime alpine destination and its economy is based overwhelmingly on the tourism industry.
- We have found no evidence that the Queenstown Lakes District economy has become more diversified. The high rates of building activity of the mid-2000's provided an illusion of such diversification, due to activity the construction industry. At the same time employment in this industry has fallen, Australian and domestic tourism has grown.
- In our Queenstown Lakes District Survey of Business 2012, only 14% of businesses said their business has little or no connection with the District's visitor industry.
- There may be growing number of home-based businesses serving markets across the world and internationally, but it is likely to only be a minor factor in driving economic growth of the District compared to tourism. This should be investigated when 2013 census results are available.
- Future economic growth is more likely to stem from intensification of tourism than diversification into non-tourism sectors. The issue is how can Queenstown and Wanaka Centres best cater for and accommodate tourism intensification.

6.4.2 Exaggerated estimates of households and their rate of growth

- The high rates of dwelling (including apartments) construction up until 2008 appears to have had two principal drivers – building of second/holiday homes and purchase of apartments for investment purposes (an unknown number of owners of apartments do not use them at all) (refer **Annex I Household Growth**). Dwelling construction for permanent occupation by owner/occupiers has been of secondary importance.
- Construction of second-homes does not appear to closely relate to tourism arrivals, as we would have expected this to recover as tourism recovers.
- The big boom in apartments and stand-alone second homes appears to have been a function both of speculation, and of high levels of confidence and affluence (internationally and in NZ) driving people to seek second homes in the mountains. This is a function of the buoyancy and confidence in the NZ and international economies, and has much to do with Keynes's "animal spirits". Second home building and speculative investment does not appear to be a function of normal tourism growth. So it is very difficult to predict when and if the previous rates of dwelling construction (and apparent household growth) will resume, if ever.
- There very high rates of ownership of dwellings by owners resident outside the District: Some 43% dwellings are owned by individuals and companies located outside the District, compared to an estimated 26% of dwellings counted as unoccupied on Census night (refer **Annex I**).
- The census procedure in 2006 was inconsistent in how apartment occupiers are treated. New procedures in the 2013 should remedy these flaws.
- A (unknown) number of occupied dwellings and counted as households in Statistics NZ estimate in Queenstown are occupied by short-term workers.
- Such short term workers, mainly on working-holiday visas, are unlikely to have the same retail spending behaviour as permanent residents in particular in purchase of household goods of the type supplied in large format retail centres. But these are counted as usually resident in Queenstown, and their dwellings as households, in the Census.



6.4.3 Potential oversupply of household-oriented retail

- The current published estimates of year-round population and households that underlie retail planning to date (eg the *Queenstown Lakes District Growth Projections* report Rationale, March 2011) are overstated, and this is compounded by overestimation of the average household's spending on household goods.
- Benchmarking Wakatipu-Arrowtown against other Districts shows supplies of retail floorspace similar to that area will have by 2021 or so (if all planned developments on Frankton Flats are realised) have households 2-3 times the number of households Wakatipu Arrowtown in likely to have by that time.
- Taken together, these factors means there is likely to be emerging oversupply of commercial/retail land and retailing in Wakatipu-Arrowtown aimed at serving the resident household market.
- This situation will occur at the same time as Queenstown Lakes District needs to facilitate expansion and redevelopment of Queenstown Centre and plan for longer term development of Wanaka as an international tourism hub.

6.5 Need to Address Policy Issues

Significant Policy issues that need to be addressed include:

- How to recognise through the Queenstown Lakes District Plan that economic prosperity of the District and employment of its residents are overwhelmingly dependent upon tourism driven economic growth; and, that potential for diversification of the District economy is too limited to meet the District's need for employment growth.
- How to sustain and increase the viability of Queenstown Town Centre as the principal employment and administrative centre in Queenstown Lakes District.
- How to recognise and sustain the role of Queenstown Town Centre as the pre-eminent national alpine resort for international tourists and domestic visitors.
- How to allow for commercial expansion and redevelopment of Queenstown Town Centre in a way which enhances its attractiveness to visitors and resident employees.
- How to ensure that future commercial accommodation of the highest quality is concentrated in Queenstown Town Centre and Wanaka Town Centres.
- How to foster and sustain the commercial and resident community servicing roles of Wanaka Town Centre and Frankton Flats shopping cluster and ensure they are complementary to the tourism, commercial and administrative roles of Queenstown Town Centre.
- How to foster and sustain the commercial and resident community servicing roles of Arrowtown and other rural centres and ensure they are complementary to the tourism, commercial and administrative roles of Queenstown Town Centre.
- How to ensure retail services are distributed among the centres of Queenstown Lakes District in a way which maximises their accessibility to all households and visitors to the District.



6.6 How best can Queenstown Lakes District Council deal with these issues?

6.6.1 Build on the District's competitive advantage – Tourism

A deepening of, and diversification of the tourism offer, is more likely to effectively underpin steady future economic and household growth, (and make the economy more resilient to economic shocks), than hoping brand new industries can be incubated to the point of being major national and international players. Possibilities include:

- Education/training, which already is growing (particularly in hospitality industry training) and is where Queenstown has a competitive advantage.
- Medical tourism.
- The Conference Centre initiative, provided it is located in Queenstown CBD.

Alongside such economic 'diversification', the District should concentrate on developing and enhancing the quality of Queenstown CBD as an international tourism resort.

6.6.2 Determine a District Hierarchy of Centres

The prime purpose of the hierarchy would be to clarify the respective economic and commercial roles of the urban centres within Queenstown Lakes District; and, to guide sustainable development of the centres of growth development in each centre. In the longer term, emphasis should turn to development of Wanaka as a "dual" international tourism hub that operates in synergy with the Queenstown hub; comprehensive planning for this should start now. In principle:

- The District Plan should adopt a hierarchy of centre policy that enables realisation of diversification.
- The existing Queenstown Town Centre and Gorge Road, together with Town Centre Transition Zone and other areas adjacent to them which have been identified for CBD expansion, should be considered as a single centre with less internal functional differentiation.
- The relative roles of Wanaka and Arrowtown centres should be reviewed.
- The range of commercial opportunities at Frankton Flats and Remarkables Park should be reviewed and provided for on the basis of a concept of an integrated functional centre.
- The Council should seek to concentrate future development of hotels, office space, restaurants and specialist (small format) comparison retailing in and near the Queenstown CBD in order to provide a contained centre that is attractive to tourists, businesses and local residents.

The land-use activities appropriate to centres on each level of the hierarchy would be indicated in the policies, rules, and other provisions of the Queenstown Lakes District Plan.

6.7 Conclusion to Section 6

Many of these issues can be addressed within the current review of the QLD District Plan. We assess how in **Section 7**.



7 TOWARDS A ZONING HIERARCHY – QUEENSTOWN LAKES DISTRICT PLAN

7.1 General Planning Context

Queenstown Lakes District has been found to have undertaken its recent commercial and retail planning on the basis of overstated expectation of existing and future demand for development⁵. However, that finding does not detract from very valuable high-level planning policy work carried out in recent years and leading up to the District Plan Review process.

In 2007 the Queenstown Lakes District Council initiated a growth management strategy⁶. This sets out a number of important principles and actions and relies on a range of tools, of which the District Plan is only one. The strategy identifies roles of numerous agencies and the need for closer co-ordination between the Council and agencies, and sets out anticipated land needs to 2026.

The growth strategy, and the subsequent Plan Change, identifies Queenstown/Frankton and Wanaka as the key growth areas for the District and seeks to manage urban growth on the basis of identified urban land with defined edges⁷. It envisages the growth of existing centres, and new proposed centres on the basis of mixed uses – commercial, visitor accommodation and housing. An important principle of the growth management strategy is that the two existing town centres at Queenstown and Wanaka “remain attractive, vibrant, and important places for residents by providing for a range of housing and business options that will sustain a resident population” (Principle 1g). New centres are only to be considered “where the type and scale of likely future growth in the two existing centres (Queenstown and Wanaka CBDs) would result in the loss of essential qualities such as walkability, low-rise, compact neighbourhoods, a mix of residential opportunities, local retail stores, and view corridors to mountains and lakes” (Principle 2b).

The Queenstown Town Centre Strategy, December 2009, identified the following issues facing the existing town centre (summarised):

- potential for unsympathetic development
- the need for the centre to continue to sustain a wide range of diverse activities
- the threat that the town centre is becoming less relevant to the local community
- poor management of activities and buildings that could lead to reduction and loss of amenity values
- the need for good access and to avoid domination of the Town Centre by vehicle traffic.

The Town Centre Strategy developed objectives and an action plan to address all issues, but left the ideas of intensification and expansion of the existing town centre open for review as a result of monitoring of issues and implementation of the Strategy. The Town Centre Strategy is to be reviewed every five years (i.e. 2014).

The Wanaka Town Centre Strategy, 2009, identified similar, but more focused issues, for a centre that is the “heart of the Upper Clutha”. In particular, the issues identified were around improving accessibility; protecting, developing and enhancing character; maintaining a mix of retail, commercial, social and administrative services in the Town Centre relevant to locals and visitors alike; and how to engender a “civic heart” within Wanaka Town Centre. With its own Town Centre Concept Plan, Wanaka was seen as having limited expansion issues.

⁵ Note, this report was drafted prior to the release of the Environment Court’s decision on Plan Change 19. Subsequent review of the decision has confirmed that there was no need to modify the approach set out in this Chapter.

⁶ A Growth Management Strategy for the Queenstown Lakes District, QLDC, April 2007, and operative Plan Change 30 to the QDP.

⁷ A map showing the urban boundary at Queenstown/Frankton is provided, but is not yet part of the statutory District Plan document.



The Council also has an Urban Design Strategy, 2009, that refers to the New Zealand Urban Design Protocol. This integrates the numerous design guideline documents that apply to the various localities of the District. It also contains a number of overall goals including consolidated and sustainable urban growth, along with the concept of encouraging higher residential densities around town and neighbourhood centres and public transport routes.

The Council is currently working on a District Plan review due to be notified in late 2013. A number of Review Documents (undated, but seeking comment by September 2012) relate to Town Centres (Queenstown and Wanaka, Business Zones and Industrial Zones) as well as to the District's smaller town centres. The consultation findings are highly relevant to the approach that should be taken under the District Plan Review and most are in line with the findings of the present study.

7.2 Expansion of commercial opportunities between years 2000 and 2012

The existing Queenstown Lakes District Plan in **Chapter 10, Town Centres**, identifies and discusses issues, and sets out objectives and policies for Queenstown, Wanaka and Arrowtown Town Centres, and for Corner Shopping Centres. These are relatively low-key and detailed provisions in the Plan and have provided no adequate contextual basis for the assessment of the range of commercial development proposals which have (subsequently to the District Plan becoming operative) made their way into the District Plan through privately and publicly-initiated plan changes. Most of these have been promulgated as special-purpose zones and have therefore bypassed consideration under the **Chapter 10** policy framework.

Similarly, the Regional Policy Statement has a section on the built environment, but this is focused on infrastructure provision and general management of the adverse effects of urban development. It is typical of its time (notified 1993 and operative 1998). Although due for review in 2008, there is no indication of any progress to date.

There have been substantial commercial growth opportunities created and now set in place through District Plan change processes, to the stage where existing retail and commercial development along with substantial retail and commercial opportunities in the Frankton area (on both sides of the airport) are able to rival the Town Centre of Queenstown in terms of scale and function⁸. These opportunities include the Frankton Flats A Special Zone, the Frankton Flats B Zone⁹ (including the proposed Shotover Park supermarket and DIY centre), the Remarkables Park Zone, the Airport Mixed Use Zone and the substantial expansion by resource consent of the existing Frankton Corner Shopping Centre.

A separate commercial/business zone also now exists, separate from the Town Centre in Wanaka (the Three Parks Zone).

7.3 Current Plan and looking forward

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. Much of this zoned land is now "legacy" and the land concerned would be difficult to "unzone".

However, the brief identifies a number of means by which existing provisions could be modified or massaged. The extent to which this would be a successful exercise depends on the underpinning analysis of population growth and retail/business demand, as well as the activity status within the zoned areas (and where consents have been granted, the lapse periods of the consents). Findings from the commercial land and retail floorspace demand

⁸ This potential was identified as early as 2006 (Appendix 3, Commercial Land Needs – Queenstown Lakes District Council, Hill Young Cooper 2006).

⁹ A Council plan change initiative, awaiting a decision of the Environment Court on appeal.



assessments are set out in **Sections 4.3 and 4.5-4.7**. This shows a substantial oversupply in terms of proposed retail floorspace and business zoned land. The current supply of commercially-zoned land will exceed demand until 2030, and longer unless the highest-growth scenarios of tourism-driven economic growth or population/workforce growth eventuate. There is considered to be a high likelihood that the highest projections are not achievable, at least in the short-term.

7.3.1 Overall Strategic Approach

It will be essential to formulate a strategy for commercial/retail provision in the District. Ideally, the Regional Policy Statement (which a District Plan must give effect to) would provide a high level policy approach. However, in the absence of that, the District itself is large and complex enough to formulate its own strategy¹⁰.

Care will need to be taken in intervening in the current situation as part of the demand which the rezoned commercial/retail areas are seeking to meet relate to trade, industrial, residential, visitor accommodation and educational demands. Large format retailing now crosses into trade and industrial provision. In addition, urban design “place making” requirements now tend to support achieving frontages or streets of smaller shops associated with large format retailing anchors, which has the potential to attract the District’s small specialist shops and further undermine traditional shopping in older town centres.

A review of the various Queenstown Lakes District Council documents demonstrates the recognition of Queenstown as one of New Zealand’s premier tourist destinations, and the importance of this to the local, regional and national economy¹¹. This is now comprehensively backed up by the findings of the present study. There is also recognition that the design and functionality of Queenstown’s urban area contributes to the tourist experience. Less apparent, but also stated in some documents, is the need to retain the relevance of the town centre to local people, to avoid the split of Queenstown centre into a place for tourists only with a second centre catering for locals only. Any reduction in the day-to-day presence of local people in Queenstown’s town centre is likely to reduce the social contact that is one of the attractions to overseas visitors.

7.3.2 Centres Hierarchy – a Typical Planning Tool

A review of other areas demonstrates that the concept of a Centres’ Hierarchy, embedded through Regional and District Plan provisions, is now typical. While centres are generally characterised as mixed-use areas, the range of top-end functions (civic, cultural, specialist/general retail, professional services and entertainment) forms the basis for identification of the highest level centres supported by office and accommodation/intensive residential with high standards of, and requirements for, urban design. Secondary centres provide a range of less specialist (convenience) retailing, employment, and business activities. Depending on environmental controls, they may have a residential component. Local centres provide corner shopping and localised service activities.

Examples of this approach include:

- Christchurch – recognition of the CBD as the primary centre and identified “key activity areas” at regional level in the Regional Policy Statement. Any expansion of the key activity areas must consider the sustainability of other centres. There are a range of detailed rules to manage the size and design of different key activity areas within the three territorial authorities that contribute to the urban area of Christchurch. A third level of local centres is provided for at District Plan level.
- Wellington – identification of the Wellington CBD in the Regional Policy Statement (*“its continued vitality, vibrancy and accessibility are important to the whole region”*) at the top level of the hierarchy, a number of sub-regional centres at the second level, and a third level of smaller centres. The District Plan provides capacity in the CBD and smaller centres, with much greater intensity of development provided for in the CBD than in any subsidiary centre. Within Wellington City a cumulative effects test in relation to the CBD

¹⁰ The Otago Regional Council is understood to have commenced consultation on a review of the Regional Policy Statement, which will include issues of urban management (Media Release, ORC, February 12, 2013).

¹¹ Assessing the Economic Benefits of Tourism in Queenstown, Ascari Partners Ltd, 2007.



applies to any retail expansion in a suburban centre over 20,000 m² (including concepts of vitality, range of services for CBD visitors, economic activity, and cumulative effects on transport networks and roads).

- Auckland – a hierarchy of centres – the City Centre, Metropolitan centres, town centres, local centres and neighbourhood centres (The Auckland Plan, 2012).
- Hastings District – identifies the central commercial area and suburban commercial areas. Has made separate provision for a large format retail zone adjacent to the central commercial area.
- Nelson/Tasman District – under review. Likely to confirm Nelson City Centre as the primary centre with Stoke, Richmond and Motueka as secondary centres and a third tier of identified smaller centres.

Following from this accepted hierarchical concept, within Queenstown Lakes District Plan, comprehensive objectives, policies and methods could be built around a centres' hierarchy which would then enable a review of the methods to manage the nature and the timing of development.

The latter would ideally manage the release of land for new development so as to ensure that centres higher in the hierarchy were not adversely affected. The vitality of central Queenstown and any other primary centre would also need to be supported by the Council in other ways, including through a public transport strategy, an events or "main street" strategy and a continuation and possible enhancement of the urban design strategy.

Prospects for the development of a centres-based hierarchy are discussed in the following sections.

7.4 Commercial/Retail Centre hierarchy options

7.4.1 Overview of the analysis

As the brief seeks evaluation of the concept of a centres hierarchy, this has been examined for suitability through the simple technique of a planning balance sheet, at two levels.

Firstly, the options of a theoretical "no hierarchy"/ "hierarchy" have been examined, and secondly a range of different types of hierarchy for Queenstown Lakes District have been evaluated.

A planning balance sheet uses techniques similar to the multi-criteria analysis which is widely used nationally and internationally to assist decision-making on major infrastructure options¹². This involves identification of aspects or criteria for evaluation of a range of options. It usually applies group decision techniques¹³, such as facilitated workshops, to allocate a "score" for each aspect, with the highest or lowest (depending on the scoring framework) score indicating the "best" option. A range of weightings may be applied to the individual criteria, and some form of sensitivity analysis is usually applied.

In contrast, a planning balance sheet methodology evaluates options against an agreed set of community and environmental outcomes. As these are usually stated in broad terms, and the information on which an evaluation of each outcome can be made is relatively coarse and perceptual, scoring is often at an indicative level, using pluses and minuses (compared with the status quo). This gives a visual impression of the preferred option at a level suitable for major planning decisions.

For the New Zealand situation and for local authority responsibilities, it is appropriate to take into account considerations or outcomes from relevant legislative guidance – particularly from the Resource Management Act

¹² E.g. the National Asset Managers Handbook, 2002.

¹³ Where group decision-making is not practicable, a Delphi technique where one person undertakes the evaluation, which is then critiqued by a range of others, and if necessary modified, is acceptable. Both processes provide adequate robustness.



(1991) (RMA) and the Local Government Act (2002) (LGA). At the heart of the RMA is the purpose of sustainable management including the social, economic and cultural wellbeing of people and communities within an environmental framework¹⁴. Local government under the LGA is expected to take a sustainable development approach, taking into account the social, economic and cultural interests of the people and communities and the need to maintain and enhance environmental quality¹⁵. Thus “quadruple bottom line” considerations are appropriate in a planning balance sheet to assist a local authority in performing its functions.

Both legislative contexts emphasise the need for effectiveness and efficiency, and concepts of stewardship. Section 32 of the RMA refers to appropriateness as the key concept of actions towards achieving sustainable management of the environment.

These complex considerations mean that a planning balance sheet should focus on appropriateness of approach and should take into account environmental, social, economic and cultural considerations.

In addition, both pieces of legislation are directed at the longer term. The RMA requires consideration of present and future generations. Associated guidance advises frameworks of “at least 100 years” for some aspects¹⁶, with the statutory 10-year review period for plans under the RMA considered as a minimum period of change. Most urban growth or other strategic documents adapt a 20 to 40-year planning horizon. The purpose of local government requires infrastructure and performance that anticipates future circumstances¹⁷.

Thus the evaluation of alternative commercial zone or centre hierarchies to be undertaken as part of this study assumes a 30-year plus horizon. This is in line with the long-term analysis of needs performed earlier in this report.

7.4.2 First stage analysis

The first stage analysis performed related to the two largely theoretical options of “no hierarchy” compared to some formal hierarchy of centres expressed through the District Plan, as is common in other parts of the country. Some of the criteria acknowledged Queenstown’s specific natural environmental quality, however, as this is the basis for much of the District’s economic wellbeing, as earlier identified.

The outcome-based criteria were developed and refined under the headings of economic, social, environmental and cultural through a small workshop process¹⁸. A broad score, based on a five-step scale from ++, through 0, to - -¹⁹, was allocated to each criterion. In assessing the likely outcome, a long-term view was taken, as described.

The criteria applied and the results of the First Stage analysis are shown in Table 1 on the following page.

The outcome of the assessment shows a high preponderance of pluses associated with the hierarchical approach, indicating at this broad scale that there is likely to be considerable merit in developing a hierarchical approach to centres planning at a policy level in the District Plan.

¹⁴ Section 5 RMA.

¹⁵ Section 14 LGA.

¹⁶ E.g. the New Zealand Coastal Policy Statement, when considering coastal erosion.

¹⁷ Section 10(2) LGA.

¹⁸ Attendees were from the project team and have economic and strategic land use planning experience and backgrounds.

¹⁹ Where ++ indicates a high expectation of achieving the outcome through the option, and - - indicates expectation of high risk of failure in achieving the outcome. A 0 indicates an expected neutral contribution.

Table 7.1: First Stage Planning Balance Sheet Analysis			
Evaluation Criteria		Policy Options	
		Dispersion (without Hierarchy) – Current Pattern	Concentration: Hierarchy Centres-Based Policy
Economic	Supports preferred economic development scenario	-	++
	Contributes to agglomeration benefits	--	++
	Contributes to the attractiveness of the District to international and domestic tourists	-	++
	Stimulates investment required to achieve preferred economic development scenario	0	++
Social	Makes visitors welcome and caters to their needs	+	++
	Provides retail choice for residents	++	++
	Accessibility of retail and related services to residents	+	++
	Accessibility to areas of employment	+	++
	Provides basis for character/identity of individual communities	0	+
Environmental	Quality of urban environment	+	++
	Compatibility with the District's unique alpine landscapes	--	+
	Accessibility of retail and services by walking, cycling	--	++
	Compatibility with long-term planning for infrastructure/services	0	++
Cultural	Enhances Queenstown's international iconic alpine image	0	++
	Contributes effectively to the cultural life of the District's communities	0	++
	Enhances sense of community identity	0	++

This finding also aligns with the earlier general findings of this report – that the current pattern of commercial/retail zonings, while providing opportunities for development, has resulted in an oversupply of land and no clear functional or character distinctions in terms of the use of commercial land, particularly across the Frankton area. This has resulted in an uncertain future for the traditional centre of Queenstown in terms of function and urban quality.

As it has been found from this simple analysis, that a hierarchy of centres is more appropriate than the present uncertain pattern of centres, the question that follows is “what type of hierarchy should be adopted?”.

This needs to take into account the existing pattern of development, and the zoned areas which are as yet undeveloped. It has led to a second stage of analysis to help identify the most appropriate hierarchical approach, which can then be provided for in policy.



7.4.3 Second stage analysis

At this stage of analysis, it was necessary to identify possible hierarchies which could be applied for the District. The following three options were identified²⁰ as the basis for further analysis.

Option 1 – Two-Level Hierarchy

Level 1: **District Centres**

- Queenstown CBD and Fringe (excluding Gorge Road)
- Wanaka Town Centre (including Anderson Heights)

Level 2: **Suburban and Local Centres**

- Arrowtown Town Centre
- Remarkables Park Shopping Centre²¹
- Five Mile Shopping Centre²²
- Frankton Corner/Terrace Junction²³
- Glenorchy Township Centre
- Kingston South Township Centre
- Three Parks Centre
- Hawea Township Centre
- Albert Town Centre
- Cardrona Centre
- Fernhill Local Centre
- Sunshine Bay Local Centre

Option 2 – Three Level Hierarchy

Level 1: **District Centre**

- Queenstown CBD and Fringe (excluding Gorge Road)

Level 2: **Town Centres**

- Wanaka Town Centre (including Anderson Heights)
- Remarkables Park Shopping Centre

Level 3: **Suburban and Local Centres**

- Arrowtown Town Centre
- Gorge Road Business Zone
- Five Mile Shopping Centre
- Frankton Corner/Terrace Junction²⁴
- Glenorchy Township Centre
- Kingston South Township Centre
- Three Parks Centre
- Hawea Township Centre
- Albert Town Centre
- Cardrona Centre
- Fernhill Local Centre
- Sunshine Bay Local Centre

²⁰ Note that all options include recognition of industrially-based zones, being Glenda Drive, the Airport Mixed Use Zone, the Frankton Flats Special Zone (B) areas D and E, Ballantyne Road Industrial, Mixed Use and Industrial B Zones. These industrially-based and servicing zones do not conflict with a centres-based approach and complement the District’s economic growth. In Options 1 and 2, Gorge Road is placed within this grouping, but in Option 3 it is recognised as part of the functional “frame” of the Queenstown CBD. Anderson Heights is, however, included as part of the Wanaka Town Centre in all three options, as a natural area for CBD expansion.

²¹ Area 5 of Remarkables Park Zone.

²² Frankton Flats Special Zone (A) and retail component of proposed Shotover Park.

²³ The Terrace Junction development is a clear anomaly in consent terms. It could be omitted from the hierarchy pattern entirely, or included as part of the Frankton Corner local centre with a note which identifies it as an anomaly.

²⁴ See earlier footnote on Terrace Junction.



Option 3 – Four-Level Hierarchy

Level 1: **District Centre**

- Queenstown CBD and Fringe (including Gorge Road)

Level 2: **Sub-District Centre**

- Wanaka Town Centre (including Anderson Heights)

Level 3: **Suburban Centres**²⁵

- Arrowtown Town Centre
- Remarkables Park Shopping Centre
- Five Mile/Shotover Park Retail Area
- Three Parks Centre

Level 4: **Local Centres**

- Frankton Corner/Terrace Junction ²⁶
- Glenorchy Township Centre
- Kingston South Township Centre
- Hawea Township Centre
- Albert Town Centre
- Cardrona Centre
- Fernhill Local Centre
- Sunshine Bay Local Centre

The ideal basis for the hierarchy would be: location in relation to catchment population, size (land and floorspace) and function. In practice, physical geography and transport has had a major role in the location of population, delivering a specific settlement pattern, and the District's geography continues to play a major role in the distribution and function of centres.

In applying a hierarchy, it would not be expected that this would be the basis for detailed management of land use activities. However, it would be expected that:

- The highest level in the hierarchy would be the area creating the greatest opportunities for "high-order" activities such as offices, entertainment and cultural activities, and the most specialised shopping.
- The highest level in the hierarchy would be the prime location for agglomeration of the District's major economic growth activities (in this case tourism) and the associated activities that provide support and services to these activities.
- The highest level in the hierarchy would provide the greatest opportunities for intense physical development.
- While community input through planning, urban design and infrastructure (such as street furniture, development of ancillary open spaces and lighting) would provide some support for all centres. There would be a primary focus on the highest level of the hierarchy (where the greatest results would be expected to accrue).
- The highest level in the hierarchy would serve the District's residential community for specialist services, specialist shopping and employment, while also providing visitor-related services²⁷.

²⁵ In this option, it may be realistic to consider the three Frankton areas of Remarkables Park, Five Mile and Shotover as a single, albeit dispersed, suburban centre.

²⁶ See earlier footnote on Terrace Junction.

²⁷ For international tourists in particular, the ability to mix and mingle with local people is highly-rated so it is important that the CBD continues to be relevant to the District's resident population as more than just an employment centre.



A centres hierarchy is thus “a way of thinking about place-making” in planning, economic development and urban design terms. It is a policy basis which, if effective and consistently applied, should influence a wide range of public and private decisions. As a policy planning tool, it does not need to reflect the present situation – rather it expresses medium to long-term outcomes.

It is acknowledged that the above range of options could be further varied and, following further detailed examination and discussion with the client, may be varied. The analysis which has been performed on this range of options was similar to that undertaken at the first stage.

The criteria were again developed on the basis of intended outcomes, but with more emphasis placed on criteria which could be expressed at a Queenstown Lakes District level. This time the Delphi technique was applied. The same simple scoring method was used to help understand if there were clear preferences. The outcome is shown in **Table 7.2** on the following page.

Table 7.2: Second Stage Planning Balance Sheet Analysis

Outcomes	Evaluation Criteria	Analysis		
		Option 1 Two Level Hierarchy	Option 2 Three Level Hierarchy	Option 3 Four Level Hierarchy
Strategic	Vitality of Queenstown and Wanaka Town Centres	++	-	++
	Synergies/alignment with Queenstown Lakes District visitor marketing	++	-	++
	Legibility for future investors	-	0	++
Economic	Facilitates economic agglomeration	-	--	++
	Ease of administration	-	0	+
	Economic benefits/costs to economy of Queenstown Lakes District as a whole, including net job creation and GDP growth	0	-	+
	Potential for multiplier effects	+	0	+
	Sustainability of existing private/public investment	0	-	++
	Attraction for new investment and development	0	0	+
	Average floorspace performance/profitability	-	0	+
Social	Vitality and sense of place	0	0	++
	Accessibility; average distance travelled in shopping trips – local residents	+	+	+
	Accessibility; average distance travelled in shopping trips – visitors	-	-	++
	Convenience; accessibility between retailing, key services, employment, entertainment, parking, foot/cycle access	+	+	++
	Ability to express community identity and cohesion	0	+	++
Environmental	Ability to enhance Queenstown Lakes District identity	0	-	+
	Quality of physical environment for shoppers and tourists (includes infrastructure servicing efficiency)	0	+	++
	Effect on urban physical character/form and compatibility with the District's iconic landscapes	-	-	+
	Supporting walking/cycling infrastructure (contribution to a healthy urban lifestyle)	0	+	++
Cultural	Ability to contribute to the cultural life of the District's communities	0	+	++
	Compatibility of development with sites of importance to tāngata whenua	?	?	?

It must be understood that in undertaking the analysis, the individual scores were derived on the basis of professional judgement including taking into account the different attributes of the Options.



For example, **Options 1** and **3** both perform well in terms of the first two strategic criteria because both identify Queenstown's CBD and Wanaka Town Centre as the top level in the hierarchy without the confounding recognition of the Remarkables Park Centre at the same level of significance in the hierarchy as Wanaka Town Centre. This confusion in role leads to **Option 2** being scored a single minus in terms of the same criterion. Similarly, under the heading of social, it is impossible to readily distinguish between all three options in terms of accessibility to shopping for local residents, whereas accessibility to shopping for visitors is best served by a hierarchy which is focused on the two key centres. However, no option scores at the maximum level for this criterion because of the complexity of visitor shopping patterns.

It is clear from **Table 7.2** that **Option 3** provides the most promising framework for the development of an appropriate hierarchy.

7.4.4 An effective hierarchy

Option 3 with its four distinct levels is, however, unduly complex as the basis for a clear administrative policy framework. It is more appropriate to effectively reduce the hierarchy to three levels. This would result in a **Modified Option 3** and can be done as follows:

- Combining Queenstown CBD and Fringe (with Gorge Road as an ancillary "frame" functional component) and Wanaka Town Centre into a top level grouping in the hierarchy as a category of **District Centres** (or Town Centres – the wording to be agreed with the Council). The primacy of these two centres is recognisable in an economic, geographic and functional sense, even though they are of quite different sizes. The District Plan already recognises the importance of Queenstown and Wanaka, and has developed specific objectives and policies for them, although the long-term economic and visitor importance of Wanaka is not yet recognised in the District Plan.
- Establishing a second level in the hierarchy, of **Suburban Centres** (or other suitable name such as Secondary Centres, following discussion with the Council), as identified in **Option 3** above. There needs to be overall policy for this level which enables the growth and development of these centres, but in a way which does not challenge the significance and functioning of the centres in Level 1 of the hierarchy. At present, each of these centres has an existing or intended function and character. Arrowtown's is already described in the District Plan **Chapter 10**, but policy for the other centres has been developed on a disparate basis by different proponents. These need to be brought together and recognised in the centres hierarchy and through associated policy in the Plan.
- Identifying a third level in the hierarchy in the Plan of **Local Centres** as set out in **Option 3** above, recognising that these are very diverse and their functions and management will be very different.

The intended outcome from the **Modified Option 3** will be a clear 3-Level hierarchy which, in policy terms, aligns with the District's strategic direction, and the findings and recommendations from the economic growth scenario of **Section 4** and Commercial / Retail Development Scenario of **Section 5**.

The following section also discusses the contents of "**Chapter 10**" changes that would be required to set a centres hierarchy in place and develops draft objectives, policies and explanations for this Chapter.



7.5 Chapter 10 – Queenstown District Plan

Queenstown District Plan is subject to review processes, and it is expected that any changes arising from this study and report would become part of the review.

The overall structure of the Plan is not particularly straightforward, but it does have a chapter, “**Chapter 10**”, on **town centres**. It would be expected that this would be substantially modified to reflect the changed circumstances of centres and their roles in the District and to put in place an overall policy framework for centres and their long-term management.

7.5.1 Centres Issues

It is no longer necessary to include anything more than objectives, policies and rules in a District Plan²⁸. Thus there need be no clear link between issues and objectives. It is acceptable to base an objective, or objectives, on a community’s preference rather than an analysis of issues. Similarly, while consideration of the effects of trade competition is excluded from matters to be addressed in a District Plan²⁹, that limitation does not affect the wider RMA Part 2 matters of sustainable management. Nor does it appear to derogate from the overall Section 72 requirement that a District Plan must achieve the purpose of the RMA³⁰.

From the economic study, and for the purpose of developing appropriate objectives around a hierarchy of centres, the following high-level issues facing the District have been identified from the economic analysis:

- How to recognise through the Queenstown Lakes District Plan that economic prosperity of the District and employment of its residents are overwhelmingly dependent upon tourism driven economic growth, and that potential for diversification of the District economy is too limited to meet the District’s need for employment growth.
- How to sustain and increase the viability of Queenstown Town Centre as the principal employment and administrative centre in Queenstown Lakes District.
- How to recognise and sustain the role of Queenstown Town Centre as the pre-eminent national alpine resort for international tourists and domestic visitors.
- How to allow for commercial expansion and redevelopment of Queenstown Town Centre in a way which enhances its attractiveness to visitors and resident employees.
- How to develop and sustain Queenstown District Centre’s dual business by day and leisure by night-time economy.
- How to ensure that future commercial accommodation of the highest quality is concentrated in Queenstown Town Centre and Wanaka Town Centre.
- How to foster and sustain the predominantly resident community servicing roles of the Frankton Flats shopping cluster and ensure this role is complementary to the tourism, commercial and administrative roles of Queenstown Town Centre.
- How to foster and sustain the commercial and resident community servicing roles of Arrowtown and other rural centres and ensure they are complementary to the tourism, commercial and administrative roles of Queenstown Town Centre.
- How to ensure retail services are distributed among the centres of Queenstown Lakes District in a way which maximises their accessibility to all households and visitors to the District.

²⁸ A change in the RMA section 75 in 2005 removed the need for issues statements, methods, etc.

²⁹ Section 74 (3). Present wording dates from 2009.

³⁰ Case law is still evolving on this aspect.



These are very significant issue statements and they sit alongside the study's indication that the retail demand underpinning of the recent business plan changes have been based on inflated expectations of demand. There are associated inflated opportunities for some other types of activities, such as offices and commercial services.

On that basis, the supply of business/retail land may well be taken up more slowly than expected. While this can bring problems in terms of inefficient lower-quality development just to provide for some use, it also potentially provides valuable breathing space:

- for providing a more appropriate policy context in place in the District Plan
- for review and managed modification of current land supply and the statutory provisions relating to it
- for reviewing and enhancing the ability of Queenstown's town centre to retain its prime centre functionality, as the range of Council documents canvassed earlier seek.

At the same time, the centres issues already in "**Chapter 10**", which relate largely to environmental quality, must not be lost sight of.

The oversupply of business zoned land also includes considerable risk that developer/owners of such land will endeavour to attract commercial/retail businesses from Queenstown and to divert new investors from central Queenstown to the Frankton area. Examples are likely to include the new tourism resort centre and the potential new conference centre. Further development of office and service activities in Frankton could also reduce the significance of central Queenstown to the District's residents and undermine its crucial role in the tourism-based economy.

7.5.2 District Plan provisions to ensure more sustainable management of Centres

A rapid review of the current plan provisions in the light of the proposed hierarchical approach to the management of the District's centres, and in the light of the issues stated above, has resulted in the identification of the following aspects where some change to the Plan or more detailed analysis is required.

At the top level in the hierarchy, **District Centres**:

- review and restructure Town Centres "**Chapter 10**" to provide for overarching hierarchical approach
- clarify Level 1 of hierarchy District Centres – purpose and outcomes
- enhance Wanaka objectives, policies, environmental outcomes
- make rule changes in accordance with District Plan Review findings and anything else agreed with Council, in line with additional Plan centres policy and hierarchy
- review extent of Queenstown CBD and extend as appropriate
- review provisions including rules for Gorge Road, and ensure it is able to function in a way that is very complementary to the CBD. Similarly, review the provisions that apply to Anderson Heights in the Plan
- clarify "other methods" that the Council will use to maintain and enhance the functionality of the CBD.

At the second level in the hierarchy, **Suburban Centres**:

- introduce a clear Suburban Centres tier in the hierarchical approach in the District Plan's Town Centres chapter with objectives, policies, environmental outcomes
- manage growth and change so as not to compete with vitality, vibrancy and functionality of District Centres
- support structure planning as a method of managing these centres (note a somewhat different approach would be needed for the traditional centre of Arrowtown)
- import appropriate "centres statements" from relevant special-purpose zones into **Chapter 10**



- evaluate existing rules to determine levels of control that remain for the Council in each centre and consider appropriateness of new rules to manage growth of these centres, and extent of functional diversity – e.g. total area of offices, retailing, etc
- if appropriate, modify current plan provisions in a way that would protect and/or sustain the importance and functionality of the Level 1 District Centres.

At the third level in the hierarchy, **Local Centres**:

- recognise third tier in policy on basis of local services, plus some small specialist “opportunistic” centres
- acknowledge not all these “centres” are specifically-zoned or included in structure plans
- use of “other methods” to enhance local character, etc
- manage growth and change so as not to compete functionally with District Centres or Suburban Centres
- there would be no need to change any Plan rules for this.

7.5.3 Suggested Additional Objectives, Policies, Explanatory Material

It is proposed that Chapter 10, Town Centres, be expanded, consolidated and rewritten in a way that provides an overall policy framework for managing any future changes in the zoning pattern, and resource consent applications. It needs to be worded in a way that relates to all centres, and avoids the technical lacuna whereby new centres have been introduced by way of special zones, largely avoiding any umbrella provisions in the Plan relating to existing centres.

Rather than stating issues and resolving them through objectives and policies, it would be appropriate to preface a new Centres Chapter with some discussion about the current circumstances, and establish strategic directions, objectives and policies to guide future decision-making, with explanatory paragraphs addressing specific rules techniques, if any are adopted. (Note that the content of Chapters needs to be in line with the overall approach to the Plan Review).

Possible first-draft text Queenstown Lakes District Plan is set out below³¹.

³¹ Note that this is largely new text, and the existing Chapter 10 text should be reviewed further to ensure that all important material is incorporated.



CENTRES CHAPTER

1 Introduction

1.2 Centres Resources

The District existing and proposed centres are located in areas identified as zones in the District Plan Maps. A range of detailed types of zones have evolved from past planning practice and more recently from a series of plan changes initiated in the private sector and by the Council. These zones provide for a range of commercial, retail, service, office, commercial accommodation, cultural, recreational and light industrial activities and associated landscaping, infrastructure and parking land. They provide for much of the District's employment and for most of the retailing and associated activities which underpin both residential and visitor activities in the District.

The larger centres have, or will have, a significant building and infrastructure resource and are connected efficiently to nearby residential areas, and to each other, including by public transport.

Together this existing and potential resource provides for a large and important part of the social, cultural and economic wellbeing of the District's communities, building on the environmental qualities and key infrastructure such as the District's airports and roads.

1.2 Approach

The present resource of centres' land and buildings requires careful and ongoing management by the Council on behalf of the community, to ensure that the public realm remains vital and relevant to local residents and visitors, and that individual types of activities, particularly retailing, do not develop in a way that adversely affects other aspects of the community's environmental, social and economic wellbeing. At present the District has a significant bank of land, particularly in Frankton, which could, if developed at a rate significantly ahead of demand, detract from the ongoing vitality of central Queenstown and, to a certain extent, also to Arrowtown. There is the potential for a similar situation to emerge in Wanaka. The Council intends, in line with other strategic documents and policies, to administer its District Plan on the basis of recognition of the current excess of business land. It is not expected that any additional business land would be zoned or activities consented outside an existing centre in the two top levels of the hierarchy (see below) within the 10-year "life" of this District Plan, and possibly longer.

Local centres are provided for on a more flexible basis in the Plan. Their development and/or expansion will depend on demonstration of local population-based needs or specific resource-based opportunities which relate to the site proposed.

1.3 Centres Activities

Centres are provided for on the basis of an integrated mixed-use approach where land use types are not unduly constrained, except where an existing zone or structure plan has limited mixed-use opportunities. Heavy industry and high traffic generating activities are not always compatible with the concept of an intensive mixed-use centre. Thus the Plan retains industrial zones and high traffic generating activities will be evaluated in terms of access and locational compatibility within all centres.

[continues on next page ii]



[draft text Queenstown Lakes District Plan continued from page i]

1.4 Centres Hierarchy

The Council has determined to manage the District's centres resources on the basis of a hierarchy. The hierarchy of centres has been based primarily on tourism, visitor and local employment functions; the range of functions in relation to a centre's residential/visitor catchment; and on the Council's long-term intentions in terms of its contribution to sustaining public realm resources. The basis for the hierarchy is set out in the objectives and policies.

1.5 Built Form

Centres are places where people congregate for work and various types of recreational activities, including shopping, entertainment and culture and temporary accommodation. It is important that high quality built form and public open spaces are provided, maintained and enhance over time. For this reason, most centres' building development and site layout is subject to design control through District Plan provisions.

2 Objectives

2.1 Availability of Centres Land

To make efficient and sustainable use of land zoned for business and allied purposes in the District's business centres.

2.2 Avoiding Provision of Additional Business Centre Land

To encourage the efficiency effective use and development of existing zoned land and allied physical resources in preference to provision of new centres or dispersed business development. [Note: this assumes that some additional CBD land has been rezoned as part of the Plan Review to provide sufficient space to accommodate high-end visitor and tourist activities (particularly a Convention Centre and a replacement casino and consider an international hotel, ideally 5 star) and Gorge Road nearby incorporated as part of the CBD frame].

2.3 Hierarchy of Centres

To manage and administer the District's business centres on the basis of the following strategic hierarchy:

District Centres – Queenstown (including Gorge Road) and Wanaka Town Centre; (including Anderson Heights);

Suburban Centres – Arrowtown Town Centre, Remarkables Park Shopping Centre, Five Mile/Shotover Park Retail Area and Three Parks Centre; and,

Local Centres – Frankton Corner, Glenorchy Township Centre, Kingston South Township Centre, Albert Town Centre, Cardrona Centre, Fernhill Local Centre and Sunshine Bay Local Centre;

in accordance with the policies below.

[continues on next page iii]



[draft text Queenstown Lakes District Plan continued from page ii]

2.4 Monitoring and Review

To regularly monitor the availability of land and the use and development of the District's business centre resources, in association with the District's population growth and economic activity, and, if appropriate, to initiate modification of the provisions by means of plan changes.

2.5 Environmental Quality within Centres

To ensure that the quality of the natural and built environment and amenity values within the identified zoned centres is maintained and enhanced.

2.6 Environmental Quality near to Centres

To protect the amenity values and environmental quality of residential, open space, rural and other activity areas which are nearby or adjacent to the District's identified centres.

2.7 Character of Centres

To ensure that the character of existing centres is identified, reinforced and enhanced through appropriate activities, built form and infrastructure, and that new centres each develop a distinctive character and quality over time.

2.8 Walking and Cycling

To promote walking and cycling networks within centres and between centres and residential and recreational activity areas.

2.9 Vehicle Traffic

To promote traffic efficiency and safety within centres, and to provide for safe and efficient movements between centres, and between centres and residential and recreational activity areas.

2.10 Industrial Areas

To recognise the District's needs for industrial development in zoned areas of lower amenity value, and to ensure that retail, accommodation, visitor and office activities are actively discouraged from taking up land in identified industrial areas.

3 Policies

Policies Relating to Objective 2.1

Ensure that rules in the District Centre zones enable a range of activities, full site coverage and provide guidance and appropriate controls over design and appearance of structures and open spaces.

[continues on next page iv]



[draft text Queenstown Lakes District Plan continued from page iii]

Encourage major activities and facilities which serve the District's nationally significant tourist and visitor economic functions to locate primarily in the District Centre zones through land use, bulk and location and design controls.

Encourage office activities to locate primarily in the District Centre zones through land use and bulk and location controls.

Ensure that physical infrastructure does not limit the intensity of use and development in the District Centres.

In Suburban Centre zones, enable a lower intensity of development and activities which provide primarily for the day to day needs of the District's residents.

Provide for flexibility in the provision of land for Local Centres in the District's smaller settlements.

Policies Relating to Objective 2.2

Administer the District Plan on the basis that private plan changes and resource consent applications which seek to establish major visitor and tourist facilities, commercial, retail and office activities outside the existing identified centres zones will be inconsistent with or contrary to the objectives and policies for Centres in this Plan.

Policies Relating to Objective 2.3

District Centres

Ensure that the centres identified as **District Centres** are enabled to maintain and enhance their role as the District's key economic and tourist service centres by rules that:

- enable high intensity of development, subject to appropriate design controls (note: design guidance and control for Queenstown and Wanaka Town Centres are likely to be different).
- enable a wide range of activities to establish and operate within the zones with controls relating to environmental effects, rather than activity type
- encourage active street frontages throughout the centre
- manage parking on the basis of shared use of appropriate areas, rather than site-by-site provision
- limit opportunities for pedestrian vehicle conflict while enabling shared use of circulation space
- enable temporary activities, including in public spaces
- manage the interface with residential areas in a way that does not overly constrain business and commercial activities.

Identify areas within the Centres which have particular importance as gateways and ensure specific design responses in built form and/or landscaping.

Enable Gorge Road and Anderson Heights areas to develop and intensify over time in ways that are complementary to the form and functions of Queenstown and Wanaka Town Centres respectively.

[continues on next page vi]



[draft text Queenstown Lakes District Plan continued from page vi]

Suburban Centres

Ensure that the centres identified as **Suburban Centres** are enabled to establish and maintain their roles as centres serving primarily the District's residential population, with any visitor service function being secondary, by rules that:

- enable a moderate intensity of development, subject to a structure plan for each centre (with the exception of Arrowtown), including appropriate bulk, location and design controls
- enable a wide range of activities to establish
- 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 vitality, vibrancy and/or effective economic functioning of a District Centre
- require adequate parking, appropriately located and subject to appropriate design and layout requirements
- include provisions and controls that limit the ability of retail, commercial or business activities to adversely affect nearby residential activities within the structure plan area.

Enable the historic heritage of Arrowtown to be maintained and enhanced through the management of the built form within the centre.

Identify areas within the Centres which have particular importance as gateways and ensure specific design response in built form and/or landscaping.

Local Centres

Enable the centres identified as **Local Centres** to maintain and enhance services and functions of value to local communities by rules that:

- enable the provision of a range of local service functions either in dedicated zones, structure plan areas, or through provisions in zones applying to the settlement
- include provisions and controls that limit the ability of retail, commercial or business activities to adversely affect nearby residential activities within the zone or structure plan area
- ensure that the scale and nature of the retail, commercial or business activities does not undermine or detract from the vitality, vibrancy and/or effective economic functioning of a District Centre
- require adequate parking, appropriately located and subject to appropriate design and layout requirements.

Policies Relating to Objective 2.4

The Council will review the uptake and availability of centres land and the "health" of the District Centres and provide a publicly-available report at least every five years.³²

The Council will review the uptake and availability of centres land and provide employment and

[continues on next page viii]

³² Indicators would include employment and population density trends within the centres as an indicator of agglomeration. Wanaka town Centre's "Health Check" would be covered by this Policy.



[draft text Queenstown Lakes District Plan continued from page vi]

The Council will initiate changes to the District Plan to address mismatches between land availability in centres and projected economic activity, including modifying rules enabling activities and development, where appropriate, over time (this may include changes that limit or restrict development).

Policies Relating to Objective 2.5

Provide for business centres to be densely developed centres of activity with maximum consolidation of space, commensurate with the essential amenity, environmental and image outcomes sought for each centre.

Manage, through rules, the height, scale, appearance and location of buildings to ensure that the amenity of the area, including at street level, is maintained and enhanced.

Policies Relating to Objective 2.6

Contain District and Suburban Centres within clearly established boundaries.

Provide specific rules in the Plan to appropriately address edge effects at the boundaries of centres zones and to ensure that adverse overspill effects are appropriately avoided, remedied or mitigated.

Policies Relating to Objective 2.7

Ensure that the Plan provides guidance for the development of character for each District and Suburban centre through a Centre Statement, appropriate rules and a design guide.

Design guidance shall be based on the existing valued characteristics of each centre, including its heritage qualities and values and/or local natural resource characteristics.

To promote a built form which exhibits a sense of arrival and departure, including at entrances to centres on main roads, and in relation to the wider environment.

Policies Relating to Objective 2.8

Encourage the establishment and maintenance of a comprehensive network of pedestrian walkways about and within each centre, building on existing pedestrian walkways and movement patterns.

To ensure all pedestrian areas receive ample daylight and adequate weather protection, as appropriate to the overall character of the particular locality.

Policies Relating to Objective 2.9

- Apply practical methods to minimise the adverse effects of vehicles on the amenity of the centres.
- Enable managed servicing and public transport vehicle access into and through centres.
- Ensure efficient and shared provision and use of parking areas.
- Avoid creation of large areas of parking, and require screening or landscaping of dedicated parking areas.

[continues on next page viii]



[draft text Queenstown Lakes District Plan continued from page viii]

Policies Relating to Objective 2.10

Provide industrial zones and limit the range of non-industrial activities which can establish within them.

Administer these zones in a way which protects their integrity and zone purpose.

[END]

7.5.4 Possible rule-based techniques

A range of techniques to manage the type and scale of business, and especially retail and office development, should be considered. This particularly relates to some of the issues identified in **Section 5.1** of this report. The practicality and use of these techniques would be subject to a careful analysis of current District Plan provisions and existing consents and take into account the experience of Council Officers in administering the current Plan provisions:

- Use of “deferred” status to delay inefficient uptake of over-zoned land areas. May be able to be applied in Frankton Flats A Special Zone and parts of Frankton Flats B Zone. (This technique is currently used in the Three Parks zone.)
- Use of a “cumulative impacts” assessment for new large commercial/retail developments. This would be in conjunction with restricted discretionary rules relating to additional, or total, retail floorspace area in all, or specified, zones. The practicality of this technique, and appropriate thresholds would need further investigation.
- Specification of a minimum floorspace area for new retail activities in specified zones to limit the dispersal of speciality shopping across a range of locations. The practicality of this would need to be considered in detail, as it can conflict with urban design preferences.
- A review of built environment management provisions within and between zones to ensure that requirements are not distorting development preferences.
- The possible linking of commercial development floorspace with the progressive provision of permanent residential development in the Remarkables Park development.
- Other possible detailed modifications, to be identified on the basis of issues with the existing provisions.



Any further changes to the zoning provisions are likely to be very carefully reviewed, and subject to challenge on the basis that the recent Environment Court processes relating to recent public and private retailing (and centres) Plan Changes have thoroughly traversed all considerations³³. The Council will need to consider the “harm” that may be associated with reopening such processes (i.e. the risks of acting or not acting³⁴ in an uncertain demand context).

That comment does not however apply to the aspect of providing comprehensive retrofitting of a Centres’ Hierarchy policy framework for the District, through the District Plan Review process. Also, if the Council can demonstrate a significant change in circumstances, such as the high-growth scenarios of economic growth and demand outlined in **Sections 4.5-4.7**, this can justify further intervention in recently settled Plan provisions.

7.5.5 Other Methods

As with Issues, methods that the Council can apply or foster outside the RMA regime to help achieve the Plan’s objectives and policies need no longer need to be specified within a District Plan. However, for the older centres at least, the Council’s management transcends rules and includes a commitment to invest in the public realm on behalf of the community. It can also use powers under other legislation (such as the Local Government Act) to manage, reinforce and enforce the desired environmental outcomes. It is therefore recommended that these other methods should be stated in the District Plan where they relate specifically to the management of centres.

Such methods can, and in our opinion should, include:

- Preparation and management of an economic development strategy for Queenstown Lakes District which fully recognises the critically important role of Queenstown and Wanaka in stimulating economic growth.
- Extending the boundaries of Queenstown CBD to sustain more intensive tourism investment and development.
- Destination Queenstown marketing reflecting the relative roles of the centres in the emergent economic development strategy.
- A policy to apply central funded capital investment in Queenstown “District” centre (and Wanaka “District” centre, as second preference) e.g. Convention Centre.
- Investment in and programming of infrastructure to recognise and apply the centres hierarchy.
- Events programmes focussed on the “District Centres”.

7.5.6 Visitor accommodation in Residential Zones

A relatively recent plan change, intended to clarify the ability of owners of dwellings in residential zones to rent them out for visitor stays, has had the effect of enabling the development of new commercial visitor accommodation, with limited locational and design control, throughout the District’s residential areas. This has been identified as an issue in terms of the potential impacts on the District’s centres and as a provision in the District Plan which would be out-of-kilter with the intent of the objectives relating to a recognised hierarchy of centres and enhancement of tourism-related facilities in the centres. It is suggested that this provision should be reviewed as part of the District Plan Review.

³³ See expert caucusing statements.

³⁴ Section 32 (4), RMA.



7.6 Section 32 considerations

A section 32 analysis must accompany any changes to a District Plan³⁵. This analysis involves a test of appropriateness in achieving the RMA's purposes for objectives, and appropriateness in terms of efficiency and effectiveness in achieving the objectives for associated policies, methods and rules.

The economic study by McDermott Miller (**Parts I and II** of this report) comprises the most substantial part of the investigation that has led to a proposal for a series of new objectives to plan for and manage the District's centres into the future. Its findings align with the aims of other strategic Council documents. Thus it is a key component of the section 32 analysis, which need only be summarised in the notified plan review.

Once the policies, methods and rules have been drafted as part of the District Plan Review, it will be necessary to tabulate and analyse alternative approaches. Case law indicates that the section 32 requirement is met by a relatively simple analysis, in terms of costs and benefits.

An important element of the section 32 analysis relates to "the risk of acting or not acting" where there is uncertainty or insufficient information. The information from this study will assist the Council in developing a strong policy framework for the future management of the District's business centre resources.

³⁵ Note that a section 32 analysis is not a requirement for the Environment Court on appeal, so the most recent Plan Changes have not been subject to a comprehensive section 32 analysis.



8 CONCLUSION

The approach to planning for commercial and retail growth has changed considerably in recent years with a move away from dispersal of such activities back towards a focus on mixed use business centres of a scale and character that meet the needs of the catchment population. The larger of such centres are particularly characterised by quality urban design and excellence in environmental and infrastructure management. They encourage agglomeration economies, form compelling places for social and cultural mixing and enable a wide range of economic activities to establish. They require careful planning and management employing a range of RMA and other techniques. Even the smaller centres can benefit from attention in terms of management of their growth and change.

Queenstown Lakes District, on the basis of a buoyant tourism-based economy, has been exposed in recent years to a number of plan change requests which have run their course under RMA processes. The outcome is an oversupply of commercial and retail zoned land on the basis of a relatively dispersed pattern, particularly in the Frankton area, which may threaten the vitality of the Queenstown town centre by competing for the type of top-end activities which provide the underpinning for the District's economic wellbeing.

Our analysis indicates that there are real benefits in managing the District's centres on the basis of a hierarchical policy, setting in place a long-term direction for the management of the District's growth and change in business activities, including commercial, retail, cultural and main tourist service and accommodation activities. The three-level hierarchy proposed would recognise the long-term primacy of the Queenstown and Wanaka centres, with second and third level centres serving primarily residentially-based needs.

To achieve proper recognition of the hierarchy, it is essential that central Queenstown is enabled to grow to maintain its position. This would involve the expansion of the Town Centre zoned central commercial land, and a review of and probable broadening of the function of the Gorge Road area to the North; and, also the South-West between Lake Esplanade and Ben Lomond Scenic Reserve. Wanaka town centre is less threatened, with provisions in place to test the effects of a growing second-level centre.

As well as the policy proposals set out in this report, there would be benefits in a detailed review of the provisions of the various commercial-type zones in the second level of the hierarchy with a view to managing their development in a way which does not adversely affect centres at the highest level in the hierarchy. This particularly relates to the Frankton area. We have suggested several techniques, but recognise that there may be difficulties in introducing them at this stage. The District Plan Review process does, however, give the community an opportunity to revisit even relatively "new" plan provisions in the interests of ensuring a sustainable and long-term future for the District's economy and its communities. It would also be an opportunity to review how it can fulfil and sustain its vital contribution to New Zealand's economy as the country's pre-eminent tourism hub.

[END]

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