Item: 11. – Convention Centre Project: Master planning and development options

Purpose – Decision Making

1 The purpose of this paper is to:

a) Outline high-level planning, infrastructure and title issues associated with the development of the Queenstown Convention Centre (QCC) project at Lakeview;

b) Present and identify a preferred option for master-planning of the Lakeview site as the location for the proposed QCC;

c) Discuss the alternatives for an operational structure and confirm the preferred option;

d) Obtain Council approval for the key principles for the development of the Lakeview site; and

e) Discuss next steps and seek authority for the Chief Executive to take appropriate actions to progress the proposed QCC project.

Executive Summary

2 This report has been prepared following Council’s September 2013 meeting where officers were requested to report back by the end of the year on:

1. Options for a master-plan for the development of Lakeview;
2. Resource consent options and issues for the Lakeview site;
3. Possible transport implications for the development of the Lakeview site;
4. Infrastructure issues which may arise from the QCC development external to the Lakeview site.

3 The report first outlines principles for consideration by Council as the basis for any development at the Lakeview site. These principles have regard to the purposes of local government as set out in the Local Government Act; relevant considerations for a successful and smooth development; and wider public interest considerations regarding the site. It should be noted that, in developing the overall site (i.e. the Lynch block, and the old and new campground sites) no change is proposed to the overall allocation of freehold and reserve land.

Master planning

4 The master-planning options have been outlined in detail in an accompanying report by Populous/Fearon Hay. They have adopted the development principles as an assumed basis for their recommendations. It is important to note that, in addition to these principles, their report assumes:

a) No changes are made to the current allocation of reserve land and freehold land at the site (i.e. amount allocated, as opposed to where it is allocated);
b Existing parks reserve (i.e. James Clouston Reserve) would be preserved entirely and no attempts would be made to remove protected trees from the development blocks;

c There is no prescription of commercial activities (hotels; retail; hospitality; residential; casino; etc.) either in terms of what type should be within the development or the location of those activities within the commercial development zones;

d The site would be progressively developed enabling any changes to the campground area to be planned and made over a period of up to 10 years.

5 The design team have outlined the respective requirements of each key activity being considered (i.e. convention centre; public space; hot pools; camping; and commercial and residential activities), noting that the requirements for the two private proposals (the hot pools and may not be consistent with Council views on their needs/requirements.

6 Based on the assumption that the convention centre should have pre-eminence of location, Populous/Fearon Hay have recommended that:

a **Roads**: additional roading is required to service the whole site, and therefore an extension to Isle Street (through the current campground) would best allow circulation through the site and connect it with its surrounds and central Queenstown;

b **Convention centre**: is best located on the Thompson Street frontage to maximise sun and views, and to provide an effective connection between the proposed Market Square and commercial development spaces. Although they recommend the eastern end of this location (because of closer proximity to the CBD), they consider that the western end would also be an acceptable location;

c **Hot pools**: provide a useful “anchor tenant” to the site and would complement a convention centre and mixed use (residential and commercial) development. They recommend the hot pools adjoin the convention centre on the Thompson Street frontage, preferably on the western side of the convention centre;

d **Campground facilities**: the current camping facilities occupy approximately 2.63ha which they recommend reduce to approximately 2.1-2.4ha, and with a realigned boundary (and the eventual moving of the current ablutions/cooking facilities);

e **Development blocks**: are progressively developed commencing with the block immediately behind the convention centre/hot pools development block. This block is likely to include a hotel development. As market conditions dictate, residential and commercial development could then occur within this area as well as the Man Street frontage by James Clouston Reserve.

It should be noted that there is likely to be a mix of accommodation options, from high-end residential to high-density, lower cost housing. Whether “affordable” community housing was part of this mix would depend on the market value of each parcel of land. If the market value were to materially exceed the “affordable” cost of such land, then community housing at such a location would not be a cost-effective or efficient use of such land within the terms of the LGA. However, this would not necessarily preclude (subject to legal advice) proceeds from the development of such land being used to acquire lower cost land at an alternative location for community housing.
Development and Operating Structures

7 The private sector is expected to play a key part in development of the balance land and potentially the convention centre, but no matter how the latter is delivered; the convention centre will require a degree of QLDC / Crown funding. Accordingly, in CBRE’s report on possible operating structures, they have developed options for a structure which minimises commercial risk to the Council, while still ensuring a strong commercial return from the balance land in order to offset Council’s contribution to the convention centre over time. They have also noted that while development of the convention centre is the primary consideration behind the development of the site, the convention centre and remaining development opportunity represent significantly different commercial propositions. Accordingly; separate, but related, structures are required to deliver the component parts of the overall project.

deliver an additional $10-30M to reduce the cost of the convention centre over time within a relatively low risk framework whilst providing Council with some control over project outcomes.

Recommendation

1. It is recommended that the Council:

   a. Notes the contents of this report, and in particular that;

   i. Populous/Fearon Hay recommend a master-plan that enables an integrated development with mixed commercial/residential/public use;

   ii. CBRE recommends an operating structure whereby:

      1. QLDC shares in the revenue from the development of the site through a development agreement with a private consortium; and either:
a. A convention centre operator (SkyCity or another party if feasible) is brought in to own and operate the convention centre as part of a wider commercial operation); or

b. QLDC owns the convention centre (but has private management) and partially funds its contribution to it from the development of the remaining Lakeview land.

iii. A formal request has been made to central Government for a capital contribution to the project, and assistance with enabling QLDC to implement an additional funding mechanism for on-going operational expenditure;

iv. There are two stand-alone proposals for commercial development of the site which should be pursued in parallel to the integrated development. No material issues exist with regard to the land titles within the overall development site;

v. No insurmountable planning issues appear to exist, but the recommended consenting route is via a Council-lead plan change;

vi. Upgrades to the town’s infrastructure directly attributable to the convention centre are estimated at $1.9M;

b. Approves:

i. The recommended principles for development of the Lakeview site;

ii. The preferred location option for master-planning of the Lakeview site as set out on page 30 of the Populous/Fearon Hay report;

iii. The recommended operational structure of an engagement with the private sector to develop and operate the facility through a project development agreement with a revenue sharing agreement;

c. Authorises the Chief Executive to enter into negotiations with:

i. Commercial developers for the development of their proposals at the recommended locations;

ii. potential private sector partners for the balance of the development land at Lakeview;

d. Directs officers to report back to the Council meeting in February 2014 regarding progress with the negotiations;

e. Notes that a report on costs and rating implications and options will be delivered to the Council at the 27 March 2014 Council meeting;

f. Authorises the Mayor to make a public statement summarising the Council’s next steps.

Prepared by: Paul Speedy
Transition Manager

Reviewed and Authorised by: Adam Feeley
Chief Executive
Background

11 In August 2011, QLDC established a Working Group (which included membership from the Queenstown Chamber, Destination Queenstown, the arts and the accommodation sector) to establish criteria with which to evaluate various options for a QCC. A feasibility study (by Horwath HTL) was commissioned by the group in March 2012.

12 In August 2012, a Request for Proposal was publicly issued seeking potential partners with the Council to develop a convention centre. In February 2013, a consortium including Ngai Tahu Property; Morrison and Co; and Sky City Entertainment Group were selected as the preferred party to enter into negotiations for a convention centre development. The negotiations were not progressed while Council underwent the public consultation process.

13 The Council has commissioned a number of specialist reports to assess the merits of a convention centre which could be funded or partially funded by Council. The reports commissioned, in addition to the earlier Horwath feasibility study, comprised:

   a. An overview of the project including operating costs and revenue; development models; and funding options by CBRE.

   b. An economic impact assessment by BERL Economics.

   c. An analysis of the merits of the respective sites in terms of economic impact by McDermott Miller.


   e. An estimate of construction cost by WT Partnership.

14 On 26 July 2013 the Council adopted a recommendation to undertake consultation in accordance with s.87 (1)(b) based on Council's Statement of Proposal that QLDC lead the development of a convention centre with approximately 750 person capacity and at an estimated construction cost of $50M. During August 2013 Council had a month-long public consultation period, as well as undertaking an independent telephone survey of 400 residents and ratepayers.

15 The results of the consultation and survey were reported to Council in September 2013 and it was noted that:

   a Council received 748 submissions, with 32 persons choosing to address the public hearing held on 3 September. Of the submissions received on the main proposal ("QLDC should lead the development of a convention centre in Queenstown"):

      i. just under 55% supported or strongly supported the proposal, and
      ii. 31% opposed or strongly opposed.
b The survey of the district surveyed 400 residents and ratepayers with a margin of error of ± 4.9%. The data was weighted proportionately to relative ward populations. On the proposal that QLDC should lead the development of a convention centre in Queenstown:
   i. 48% supported or strongly supported
   ii. 29% opposed or strongly opposed
   iii. 23% were neutral or had no opinion.

16 The Council resolution from that meeting included directions that Council staff:

   a. Provide Council with an options master-plan for Lakeview by 30 November this year;
   b. Report back to Council by 30 November 2013 on:
      i. Resource consent options and issues for the Lakeview site;
      ii. Possible transport implications for the development of the Lakeview site;
      iii. Infrastructure issues which may arise from the QCC development external to the Lakeview site.

Comment

Principles for Lakeview master-plan development

17 In discussion with elected representatives at a Council workshop, the following principles have been developed for consideration as criteria for decisions relating to the master-plan.

<table>
<thead>
<tr>
<th>Development Principle</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Maximise the commercial development opportunities in a manner that minimises the financial burden to ratepayers</td>
<td>It accords with the requirement to carry out any function in a manner that is the most “most cost-effective for households and businesses” under s.10(1)(b) of the LGA</td>
</tr>
<tr>
<td>(2) Establish early, successful, and coordinated development of Lakeview</td>
<td>Coordinated development will minimise disruption at the site and neighbouring areas, and is likely to maximise the level of developer interest</td>
</tr>
<tr>
<td>(3) Ensure the QCC location is given a level of pre-eminence to ensure commercial and public appeal</td>
<td>The primary purpose for developing Lakeview is to ensure that a convention centre delivers significant economic benefit to the District.</td>
</tr>
<tr>
<td>(4) Assess the merits of current and proposed uses in terms of the financial and economic business case</td>
<td>Again, this accords with the principle of cost-effectiveness in s.10(1)(b).</td>
</tr>
<tr>
<td>(5) Ensure that master-planning future-proofs likely infrastructure developments</td>
<td>Having a long-term view of the developments effect on infrastructure is consistent with Council's obligation to develop infrastructure in a manner that if efficient and cost-effective.</td>
</tr>
<tr>
<td>(6) Balance the commercial developments with the need to provide spaces that appeal to and gain “buy-in” from the local community</td>
<td>Support for the project is likely to be greater if there are demonstrable wider benefits to the local community in addition to economic benefits.</td>
</tr>
<tr>
<td>Development Principle</td>
<td>Rationale</td>
</tr>
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<tr>
<td>(7) Ensure the site complements rather than competes with the current CBD</td>
<td>CBD commercial ratepayers support rests on the assumption that the convention will have positive impacts on them.</td>
</tr>
<tr>
<td>(8) Minimise risk (financial and otherwise) to ratepayers</td>
<td>Managing risk is inherent in the costs and benefits decision-making process of Council under the LGA.</td>
</tr>
<tr>
<td>(9) Where possible make greater use of under-used reserve land to maximise the development opportunity of freehold land</td>
<td>Again, this accords with the principle of cost-effectiveness in s.10(1)(b).</td>
</tr>
<tr>
<td>(10) Ensure each use/activity complements and is well-integrated to adjoining uses/activities</td>
<td>This is part of the coordinated development approach to maximise the interest in and return from the proposed development.</td>
</tr>
<tr>
<td>(11) Ensure that the capital costs for the QCC have regard to best practice sustainable design principles and ongoing operating costs</td>
<td>As a piece of local infrastructure, it is appropriate to take a long-term view of the convention centre operations, which necessarily includes balancing capital costs with operating costs, and the manner in which sustainable design can minimise the latter.</td>
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</table>

Master Plan Options (Refer to Attachment A: Lakeview Master Plan)

The Lakeview Site

Site size and shape

18 The site size and shape means an optimal layout and design can be achieved. There is a unique opportunity for views from many functional spaces with potential future expansion. The site is also identifiable from the city centre.

Topography of the site

19 The flat nature of the site is ideal for a Convention Centre, e.g. vehicular access, pedestrian access, movement of people within the centre and indoor/outdoor flow. The way the land rises behind the site means the size of the building does not dominate the landscape.

Environment

20 The site provides the ‘iconic’ views (lake and mountains) which underpin the marketing of Queenstown as a destination and provide a significant branding opportunity for the convention centre. A unique setting combined with innovative architecture is key and the site provides the opportunity for these elements.

Proximity to city centre and accommodation

21 The centre of town, accommodation and Fernhill are all within a 10-15 minute walk. The steepness of a short portion of the walk could be mitigated by pedestrian walkway upgrades (steps) or potentially the installation of a covered escalator at some point along Man Street.
Aspect

22 The majority of the site enjoys good daylight and excellent views from most vantage points.

Overall site appeal

23 The master plan process has been able to effectively incorporate a mix of potential uses for the site, focused around the convention centre, and maximise views, contour and aspect. The development, once complete, is expected not only to have a great outcome for the convention centre, but also enhance Queenstown's CBD. Furthermore, the commercial potential of the development, underpinned by the master plan, provides a good opportunity for Council to extract commercial returns to offset the cost of the convention centre. The challenge associated with the steepness of the walk to the city centre and accommodation is more than offset by the broader opportunity.

Mix of Uses

24 The potential mix of uses incorporated in the master plan include the convention centre, commercial activities and Ngai Tahu Tourism (‘NTT’), hotel and residential development, commercial and mixed use development all focused around a market square. The continuation of the campground has also been accommodated. Given the scope and scale of the site this mix of uses offers an appropriate balance of complementary value from activation/utilisation, commercial return and public interaction.

Location drivers

Convention Centre

25 The convention centre location will need to incorporate the outstanding Queenstown views into its functional areas. To increase the ‘iconic’ potential, a prominent drop off area and some outdoor terrace space is to be used for functions and breakout times and these spaces will enhance the overall experience. A requirement for a concealed loading dock and service road would also protect these positive attributes.

NTT and

The area sought by NTT (0.75ha) has a requirement for unobstructed views utilising gently sloping ground suitable for a terraced effect and landscaping which are similar needs to those of the convention centre.

Commercial and mixed use development

27 To maximise commercial returns, these areas require street or market square frontage and connection. Proximity to convention centre and hotel/residential sites will encourage diversity of activity and site adaptability.
Hotel and Residential Development

28 Incorporating the vistas of Queenstown is important, however proximity to the convention centre and commercial developments are a priority and would be expected to encourage diversity of activity and greater appeal.

Market Square

29 A Market Square provides space for wider public interaction and use. The objective is to position it centrally where public can easily gain access. Its function is to aid and help form active edges for development and create additional vitality to what would otherwise be structural components. There is also potential as a support feature for the convention centre programme.

Convention Centre Location Options

Location 1 – Thompson/Man Street corner (recommended option)

30 This positions the convention centre where it is most accessible for public use with a prominent view shaft along Man Street. There is good pedestrian connectivity with the CBD including Man, Brunswick and Beach Streets and the waterfront. The Isle Street extension provides important additional public access. The central market square and supporting development provides a shared space, focusing on pedestrian activity.

31 The balance of the Thompson Street frontage suits the proposed commercial Hot Pool development by NTT.

Location 2 (Thompson Street at the western end of the Development Block)

32 Location 2 is similar to location 1, but swaps the location of the convention centre and hot pools along the Thompson Street frontage. This option has a prominent visual connection from Brunswick Street and a partial visual connection with Man Street. The existing contours against the Lynch block hill side help minimise the building mass of the convention centre.

Location 3 (James Clouston Reserve frontage)

33 While providing a closer location to the CBD, the view shaft along Man Street is less prominent and the recreation reserve in front inhibits direct vehicular access from Man Street. Pedestrian access and connection from Lake Street is impractical. Generally the location is impractical for successful development of the site and programme.

Preferred Layout

34 With the convention centre and the hot pools recommended to be located along the Thompson Street frontage (albeit with further work to be done on their respective ends of the street), consideration then needs to be given as to how best to develop the remaining activities. Populous/Fearon Hay consider that the secondary consideration is providing an effective space to activate and integrate the site. In this regard they recommend a “market square” which will: (a) provide space to the public; and (b) provides an effective transition point between the commercial, residential and convention centre spaces. Given that it acts as a transition point, it is recommended that it is located centrally (i.e. immediately
behind the convention centre (preferred location) and in front of the commercial/residential development area).

35 Populous/Fearon Hay have also considered how best to develop traffic and pedestrian flows around the site. They note that historically it was proposed that the chicane transitioning between Man and Thompson Streets be removed to enable a faster traffic flow as part of an Inner Links Bypass. However, they consider that this proposal is now superseded by:

a design considerations (i.e. the “island” created by the removal of the chicane would detract from the integrated development);

b traffic flow considerations (i.e. it is in fact now preferable to moderate rather than encourage greater speeds through what will be an intensive development); and

c commercial considerations (i.e. the removal of the chicane would decrease the total value of the Council’s freehold property)

36 The alternative roading changes considered by Populous/Fearon Hay have been whether to open up the site for various transport needs via a northern extension of Lake Street (through the James Clouston reserve), or via a western extension of Isle Street. They recommend the latter because:

a It avoids any disruption to a public reserve;

b The steep nature of Lake Street limits its practical appeal as a point of entry, particularly for buses or trucks;

c It better enables opening up of the eastern end of the development area; i.e. the proposed development land adjoining the (redefined) campground boundary.

38 The remaining (freehold) land would then be progressively developed behind the Thompson Street frontage and the James Clouston Reserve frontage as determined by market conditions and outlined in the proposed development agreement (discussed below).

Development and Operating Structures

Framework

39 The CBRE report notes that the convention centre and balance land have different risk and return profiles. Accordingly, they require different approaches to funding and delivery. While the two components could be contracted together
i.e. with the same delivery partner or consortium, they consider it is appropriate to consider each separately.

**Convention Centre**

40 Funding and development of the convention centre can be delivered either directly by Council or via the private sector. If delivered by Council, funding would be via debt on Council’s balance sheet (together with associated debt repayments). Council would carry development risk and would retain ownership of the asset.

41 If delivered by the private sector (likely in the form of a consortium), the development risk (cost overruns etc.) and upfront capital contribution are met by the private sector in return for an annual lease payment from Council over a fixed term. The cost of the annual lease payments would be higher than Council’s cost of debt funding of the same capital amount; this would reflect the cost of mitigating Council’s development risk. Ownership of the asset (land and buildings) would remain with the private sector.

42 Importantly, both options would in all likelihood require Council to manage the facility (through a third party operator) and carry associated operational risk, such as covering (or subsidising) working capital during the “trade up period” of the convention centre and any on-going annual operating losses.

44 In all options the Council would retain reasonable governance and control over the convention centre design and operation.

**Balance of development land**

45 Council could either sell the land or partner with the private sector.

**Option 1: Sell the land**

46 This would involve the Council agreeing a land value for each parcel, or all of the parcels upfront and is akin to a standard land sale. The Council sells the land and the private sector is left to deliver largely as it sees fit. The primary downside is that it is likely to deliver the lowest realisation and least control (beyond planning restrictions). A key benefit is that this option is low risk.

**Option 2: Partnering - The Council acts as a master land developer**

47 The Council creates serviced and titled super lots, and engages with (likely) multiple developers to deliver above ground development. The Council funds the establishment of fully serviced and titled lots, and funds public realm and road infrastructure. The Council would retain exposure to both growth and precinct performance, but also carry some risk as payments are received over
time. Under this option, Council would be carrying relatively moderate risk and moderate return.

Option 3: Partnering - Revenue share

48 This would involve Council entering into an agreement with a developer for a parcel or a package of parcels. The agreement (called a Project Development Agreement [PDA]) specifies a combination of fixed payments at pre-agreed dates and a pre-agreed percentage share of revenue on sale of completed product. The private sector develops public realm and above ground development and pays the Council a revenue share, or a combination of revenue share and upfront payments, for the land. The fixed payments provide certainty, lowering the overall risk to the Council, while the revenue share component offers a relatively moderate to high value return.

Option 4: Partnering - Profit Share

49 The arrangement would likely include a component of fixed land payments payable at pre-agreed milestone dates with a detailed audit on completion to establish the share of actual project profit payable to the land owner. The private sector develops public realm and above ground development and pays the Council a profit share for the land. This option would be expected to deliver the highest land proceeds, but the Council would carry full exposure to development risk and delivery performance.

50 For the balance of the development land, CBRE recommends Options 2 or 3 (the Revenue Share (via a PDA) or Master Land Developer options) because from Council’s perspective they best meet the recommended development principles that Council:

i controls outcomes in the Lakeview site;

ii participates in the value upside over time to offset the cost of delivering the convention centre;

iii avoids unreasonable development risk through involvement of private sector expertise and development capital.

Convention Centre and Balance Land Together

The delivery options presented for the balance land could potentially offset the cost of the convention centre by $10-30 million (potentially more) over time, depending on which risk reward profile is entered into.

Preferred Options

It should be noted that no matter how the convention centre is delivered, is will still require significant funding from the Council and/or the Crown. It should also be noted that the interest/commitment from SkyCity is unknown.
Overall, at this stage, it is recommended that the opportunity to involve SkyCity in the project is at least explored. This will necessarily require discussions with the Crown as to the relocation of their existing Queenstown licences to the Lakeview site.

To the extent that Council elect to fund, develop and operate the convention centre directly and offer the balance land opportunity as part of an integrated development, it would be appropriate to re-engage with the market. It is considered that an integrated development opportunity would attract different (and a greater number) of parties than the previous process did.

**Leasehold vs Freehold sales**

CBRE have also considered Council’s interest in a leasehold option for the Lakeview site as a way of maintaining long term ownership of the underlying land.

Traditional leasehold structures (where, for example, a perpetual or long term terminating lease is offered, with 5 or 7 year rent reviews to market), are strongly out of favour with the market, particularly for residential product. If the Lakeview site was offered for development with this form of leasehold tenure, CBRE expect the market to show very little, and likely no, interest in the opportunity. Developers would take the view that it would not be feasible to develop and sell leasehold apartments in the current market.

However there is a growing trend in Auckland (where there is considerable leasehold land) to offer long term pre-paid leases, typically with minimum terms of 90 years for commercial and 125 years for residential land. Developers would be expected to pre-pay the ground rent in a lump sum up front (hence the term ‘pre-paid lease’). QLDC may be able to achieve close to freehold land value, and retain a reversionary interest in the land i.e., once the pre-paid term ends, the land could either revert back to Council, or the lessee could have rights to continue the lease via either payment of ground rent, or via pre paying for a further term. Importantly, the locations where this is being proposed in Auckland, are premium positions (which exhibit considerable scarcity), and whether the structure is successful remains untested at this time.
Pre-paid leasehold tenure would be materially more attractive to developers than traditional leasehold structures, but considerably less attractive than freehold tenure. In CBRE’s opinion, traditional leases would not be feasible. Pre-paid leases could be explored (and may have merit in relation to the convention centre and hot pool sites for example), but such a structure would still be challenging for the balance of the Lakeview site on the basis that the balance land ‘sites’ are all likely to have residential elements and residential apartment market is challenging in Queenstown at present, even with freehold tenure.

Request for Crown funding

Following earlier intimations of central government funding, the Mayor has formally written to the Prime Minister seeking a capital contribution of $20M from the Government. She has also highlighted the disproportionate costs that the District bears in relation to domestic and international visitors numbers, and has sought Government support for some form of additional funding for the District for this effect, whether by way of a visitor levy or similar mechanism.

Stand-alone development projects

In addition to the proposed convention centre and integrated commercial development at the site, two commercial proposals for land parcels to be leased have been proposed for Council to consider. Officers have conducted discussions with the two parties (NTT) to understand their operational requirements and indicative commercial terms.

Hot Pools (NTT)

The hot pools development is proposed to be carried out by Ngāi Tahu Tourism (NTT), a subsidiary of Ngai Tahu Holdings Group. NTT seek approximately 0.75ha for the development, although further work is required to determine the exact space requirements. NTT are seeking a long term lease with returns to Council being based on a percentage of net revenue.

The development is estimated to cost approx. $25M, and includes a reception and retail building; café/restaurant/bar area; changing facilities; approximately 12 large public hot pools; 4 smaller private hot pools; a health spa; landscaping (including a mountain stream, walking bridge and vegetation areas); and car parking. At peak capacity, NTT estimate approximately. 300,000-350,000 users p.a.

NTT are open to two site positions, both bordering Thompson Street adjacent to the convention centre. They have ruled out land fronting the James Clouston Memorial Reserve and or the Lynch Block due to restricted views and distance to the central business district respectively.

On determination of a preferred master plan option, it is proposed that Council would enter into negotiations with NTT to obtain an agreement to lease. Council will require a full business plan to understand the complete development and commercial activities prior to entering into a lease agreement. NT require resource consent and internal approval from Ngai Tahu Holdings before proceeding to a lease agreement.
Analysis of Property Issues: (Refer to Attachment C: Lakeview Title Map)

LAKEVIEW FREEHOLD LAND

*Lynch Block*

71 Some members of the Lynch family have indicated to Council that two of the three titles on the Lynch Block should be subject to an endowment. Due diligence and exhaustive research have not been able to find any evidence of this endowment.

*Freehold Block + Section 1 SO 12299*

72 CIR 454530 is actually Recreation Reserve and is dealt with below under “Reserve Block”.

73 The remainder of the Freehold Block is freehold land and does not have any adverse registered interests or classifications registered against it other than a Consent Notice (for roading/utilities) over a small parcel of the land and which
will become redundant due to the development process and can be amended or cancelled accordingly.

LAKEVIEW RESERVE LAND

Reserve Block + CIR 454530

74 The Reserve Block and CIR 45430 are reserves.

75 Certain recreational activities ("baths, camping ground, a parking or mooring place, or other facilities for public recreation or enjoyment") may be able to be based on the reserve land.

76 Legal advice recommends that if Council wishes to change the status of any reserve land, this should be done by way of exchange of reserve land for an equivalent freehold land area rather than revocation. This means that it is likely that the percentage of reserve land at the Lakeview site is likely to remain constant although the position of reserve land may change. The exchange process is simpler than the revocation process. The timeframe for "exchanging" reserve for freehold is approximately 3 months for public notice, lodgement and hearing of objections and the Council passing the requisite resolution. In addition to the 3 months, the Minister will then need to approve and have this gazetted. There is no statutory timeframe for this. To be able to exchange the land it will also be necessary to subdivide the land to create separate titles. This will also allow for leases up to 49 years. The subdivision process can be done contemporaneously with the exchange process.

*It appears that the L – shaped parcel of land Lot 1 DP 7498 at the bottom on the Reserve Block is vested in the Crown and therefore to exchange this land for freehold would first involve having the parcel vested in the Council and then following the above process.*

GENERAL

Licences and Leases

77 All but one of the cabin licences / leases expire on 20 September 2015. The remaining lease for the McPhail cabin is a perpetual lease, and Council or the relevant developer will have to negotiate a termination of this lease. The Allied Petroleum, Japanese Family Society and Wakatipu Toy Library leases do not provide any significant obstacle to development of the land.

Protected Trees

78 There are 4 protected trees on the Reserve Block and 12 protected trees on the Freehold Block. Removal, significant trimming or building in close proximity to these trees will require resource consent under the District Plan. Council may wish to include the trees in an area of land to be exchanged as recreation reserve.

Principles

79 The exchange of freehold for reserve land or vice versa and other development at Lakeview should not reduce the amount of reserve land available to the Council for use as reserves.
80 The Council should seek to maximise where possible its financial return from the freehold property to ensure the efficient and effective use of the Council’s resources in the interests of its district.

81 Where possible the Council should seek to gain a suitable financial return from compliant activities on reserve land.

**Analysis of Planning Issues**

82 The draft Strategic Chapter of the District Plan review identifies key principles to guide the management of growth, land use and development in a manner that ensures sustainable management of the Queenstown Lakes District’s special qualities. In summary they:

   a. Recognise tourism as the key driver of the economy
   b. Promote the visitor industry and investment in lifting the scope/quality of attractions
   c. Encourage facilities and services to increase job numbers and household incomes
   d. Support development of tourism infrastructure proximate to the CBD

83 The current zoning on the site is High Density Residential Sub-Zone A which allows for high density residential and visitor accommodation activities. Given the scale and nature of the development, it is considered likely that the proposed activities (convention centre, hotel and entertainment or commercial facility) would comprise discretionary activities or more likely non-complying activities due to the limitations imposed by relevant zone standards. While some of the proposed activities meet the definition of ‘visitor accommodation’ and/or ‘commercial recreation activities’ the zone standards are likely to be exceeded in terms of height and possibly other bulk and locational requirements. To be established these activities would require the option of either resource consent or a change to the District Plan.

**Resource Consent**

84 Resource consents will be required for a non-complying activity. Any application would be publicly notified. Section 104D of the RMA places limitations on applications for non-complying activities. Consent can be granted if either of the following tests is met:

   i. the adverse effects of the activity on the environment will be minor; or
   ii. the application will not be contrary to the objectives and policies of the District Plan.

85 These ‘gateway’ tests comprise some risk to the project. More particularly, given the residential focus of the zone, demonstrating that the proposal is not contrary to the objectives and policies of the District Plan, or that the effects of the project are not more than minor may prove to be challenging.
Plan Change

86 Re-zoning provides a framework which enables a more comprehensive and flexible development outcome. Objectives, policies and rules should be designed to explicitly provide for the convention centre and associated activity. Bulk and location parameters could be set via zone performance standards and integrate; good architectural design outcomes; management of amenity and urban design values.

87 The change to the District Plan could be established via a private Plan Change or via a Council initiated change. A Council led change has the benefits of Council retaining control over the plan provisions. Either way, a full section 32 (assessment of costs and benefits of the proposed plan provisions) would be required to support the change to the plan provisions. This comprises a publicly inclusive process requiring public consultation and opportunity submissions.

88 The time frame for a Plan Change is likely to be 6-8 months allowing for Council to process the application, notify it and convene the necessary hearings. This period does not allow for resolution of any potential appeals.

89 A Council initiated Plan Change is the preferred option because it offers a more comprehensive and flexible development outcome; it results in a more appropriate zoning of the site in the light of its long term potential; and it can be prepared to address the likely actual and potential environmental effects of the proposal in a robust way.

Analysis of Infrastructure Issues

90 An examination of the infrastructure implications of the development of the convention centre and the wider development of the Lakeview site has been undertaken. This has looked at transport, water, sewage, storm water, gas, power and telecommunications.

91 The development proposals for the Lakeview site will increase demands on infrastructure created by the activities on the site.

92 The investigation has pointed to a cost of approximately $1.9m to upgrade infrastructure to solely meet the convention centre’s demands and future proof infrastructure for future development. Full development of the Lakeview site would require expenditure in the order of $4.95m.

93 A review of geotechnical information has also been undertaken. This has established that generally the site provided no significant issues for the construction of buildings on the site. On the northern edge of the site there is a small area that will require further detailed assessment to identify any constraints.

Infrastructure Upgrade Requirements

94 The Lakeview site is situated within the Queenstown urban area and, as such, is within the service area of public infrastructure provided and maintained by QLDC (roading, water supply, wastewater and stormwater), gas, Aurora (power) and the telecommunications companies.
The Lakeview site is currently relatively ‘undeveloped’. Because of its size and the likelihood that it will be developed to support separate entities (i.e. Convention Centre, Hot Pools, etc.), infrastructure will need to be provided within the site to link to adjacent external infrastructure.

The development of the Lakeview site will increase the demands on infrastructure. The capability of the infrastructure external to the site has been examined for transport, water supply, stormwater, sewage, power, gas and telecommunications. This information is presented below.

In addition a preliminary geotechnical assessment has been undertaken. This has not revealed any issues with the development of the site.

With the exception of transport, evaluation of infrastructure demands arising from the new development has assumed no changes to behaviour in the use of the public infrastructure. For transport infrastructure there will be a need for travel behaviour change in the use of the road network (i.e. reducing the reliance on the single occupant car). A key tool for this will be the review and implementation of council parking policies.

Following an explanation of the enhancements required by the development of the Lakeview site Table 1 provides an estimate of costs.

**Transport**

The existing transport infrastructure around the Lakeview site is of mixed quality. The roading infrastructure is in good condition while the footpaths are of variable quality in that there is an absence of footpaths in some streets and gaps in the street light network.

The area is not served by scheduled public transport services. The development of the site may provide the demand needed to support targeted services such as shuttles for visitors and employees.

The transport and roading issues centre on: the capability of the roading and parking infrastructure to meet the transport demands created by the convention centre and the development of the wider Lakeview site and integration of the convention centre project with the Inner Links project.

The evaluation of transport demands looked at the traffic generation of different activities likely to occur on-site and where these may happen concurrently to create “worst case scenarios” of demands on roading and parking. An example would involve the departing of attendees from a late afternoon convention centre event with the arrival activity of an evening event. This demand can lead to an overlapping vehicle based activity of up to approximately 950 vehicle movements per hour (inbound and outbound) to and from the convention centre site. Consideration of this ‘worst case scenario’ pointed to a need to address transport behaviours as well as infrastructure improvements.

The infrastructure improvements recommended for further consideration include:

- Intersection improvements at the Stanley Street / Shotover Street, and Camp Street/Man Street intersections and improvement of the entry to the Lakeview site from Man Street.
ii Man Street changes that would encompass removal of some on-street parking in order to improve large vehicle and cycle movement to / from the site, and footpath improvements (for example widening the footpath in the vicinity of the Man Street Carpark).

iii Parking: up to 350 carparks and 4 coach parks would be required on-site. No estimate has yet been made on the spaces required for service vehicles.

iv Footpaths, including the improvement of the link between Shotover Street and Man Street by way of Hay Street.

v Way-finding, which would aim to provide better information to all road users.

105 Parking management will be central to the management of demands on the roading and parking resources. While the site will need to have significant on-site parking provision, parking management will need to be used to balance the on-site provision with the wider area parking provided in the town centre.

106 The Inner Links project was reported to the Council's Strategy Committee in 2008. The project divided the notion of a series of road links around the Queenstown Town Centre into three stages and investigated the timing and costs for this work. Stages One and Two are the Melbourne Street /Henry Street and Henry Street/Man Street links respectively, and further design work is underway this year.

107 Stage Three is the Man Street to One Mile Roundabout link. This stage was not seen as a section of road that could be justified for completion within the next 20 years, and no further work on this Stage has been undertaken. Stage 3 would impact on the Lakeview site as it proposes that the "dog-leg" that joins Man Street and Thompson Street be straightened. As it stands, this section of carriageway is narrow, and is not suited to use by large vehicles. The impact of removing the dog-leg could be reduced significantly by providing for the widening of this section of road (to resemble the section of Shotover Street adjacent to the Steamer Wharf). This would still require some land from the Lakeview site but can be limited depending on proposed site development.

Three Waters

108 Wastewater: As with water supply and stormwater, piping will be required within the site to service the development. This would then link to existing mains. Our engineers' advice is that no upgrade to the mains is required.

109 Water Supply: In respect of supply of water to the site, the infrastructure external to the Lakeview site is again adequate to support the proposed development for fire fighting and drinking water.

110 A new water ring main within the site is needed to service the individual developments. This would include two new fire hydrants and a bypass device (the latter is to ensure security of supply).

111 Stormwater: The site in its current state is largely grassed, providing a pervious surface. It follows that the present demand on stormwater reticulation is low. The anticipated site development will introduce a largely impermeable surface, significantly increasing the stormwater runoff from present.
Our engineers’ analysis has concluded that there is no spare capacity within the stormwater infrastructure that would serve the site. Accordingly the following upgrades are proposed:

a. A new trunk main would be installed in Brunswick Street. Before entering the lake the stormwater would go through a water treatment device. This has also been included in the costings.
b. In order to get stormwater from the site to the new trunk main stormwater infrastructure would need to be installed within the site.

Gas

As with the water services, a ring main would be required within the site to serve the individual developments.

No upgrades to gas infrastructure external to the site are required.

Power

The power infrastructure is likely to be the most expensive infrastructure element to address:

i. The Lakeview site presently has a feeder main running through it that would need to be shifted before the site can be redeveloped.

ii. New switchgear, lines and transformers will be required to support the development.

Telecommunications

It is not expected the telecommunications costs associated with the development will be high, and these are likely to be installed by the provider. Telecommunications ducts will need to be installed within the common services trench along with the power, gas, and water supply infrastructure.

Infrastructure costs

The following cost estimates (Table 1. Infrastructure Upgrade Costs) relate to the upgrade cost attributable to the convention centre, and the full cost to service the full development of the site. The costs attributable to the convention centre include infrastructure required to future proof the extension of services to other parts of the Lakeview site as development occurs.

The costs do not include any renewal or maintenance costs of existing infrastructure. These costs are built into existing Council infrastructure budgets and are not attributable to the convention centre project. The convention centre may have the impact of bringing forward some renewal expenditure on the basis that it may be prudent to undertake renewals work while infrastructure upgrades are underway.

Costs associated with providing upgrades to Council infrastructure are reimbursable from the developers through Development Contributions. The cost to Council will be dependent on Council’s level of involvement as a developer of the site.
120 Some costs to the stormwater upgrade will be attributable to Council as existing users will have an improved level of benefit in the upgrade, though the majority of the cost will be associated with the site development.

121 Costs associated with the footpaths range from $80k (convention centre only) to $896k (full site development). Some of the proposed costs are discretionary in the fact that decisions will be required on the level of improved service Council would like to provide from an amenity and beautification perspective for footpath access.

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<tr>
<th>Table 1: Infrastructure Upgrade Costs</th>
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<tr>
<td><strong>Costs attributable to</strong></td>
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<td><strong>Convention Centre</strong></td>
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<td>(includes costs for future proofing)</td>
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<td>Transport Intersections</td>
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<td>Parking</td>
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<td>Footpaths</td>
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<td>Three Waters</td>
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<td>Sewer</td>
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<td>Stormwater</td>
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<td>Water Supply</td>
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<td><strong>Subtotal</strong></td>
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<td>Other</td>
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<td>Telecoms</td>
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<td>Gas</td>
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<td>Power</td>
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<td><strong>Total</strong></td>
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Geotechnical

122 The geotechnical investigation comprised a review of previous investigations of the site and site visits. It has reported that the site is overlain with competent alluvial material and glacial till over schist bedrock, all being suitable for building development. The bedrock is present at relatively shallow depths at some locations across the site and this may impact project costs depending on the siting of buildings and use of basement structures. Liquefaction risk at the site is very low and, should not need to be a consideration in design. The alluvial fan hazard risk is also considered very low, although a small area of debris cone exists that encroaches on to the northern fringe of the site. This area requires more specific evaluation to confirm any development constraints.

Next Steps

123 Determine the development strategy through engagement with the key parties to provide clarity on an appropriate operating structure and development agreement.

124 Continuation of negotiations with other partners in potential stand-alone commercial developments.

125 Engage with the master plan design team to define the road and boundary layout based on the preferred option. Particularly to determine the requirement for a
second vehicular access point (Lake or Isle Street extensions) for a staged development approach considering:

a  The Lakeview Holiday Park operation
b  Property negotiations with regard to;
   i  Reserve status and freehold exchange
   ii Subdivision and title changes
c  Parking and infrastructure requirements within the site

Financial Implications

126 This report has no direct financial implications. The financial implications for the Council from the development of a convention centre will be separately addressed with a report on ratings implications which will be provided to Council in March 2014.

Publicity

127 It is proposed that the Mayor is authorised to issue a media release summarising the action proposed by Council as next steps.

Local Government Act 2002 Purpose

128 Council has been previously advised that Council involvement with the development of a convention centre may be consistent with the LGA. Detailed legal advice on this issue will be included in the report on ratings implications before any decision is made to proceed with the project.

Significance of Decision

129 This report is not within the Council's Policy on Significance.

Consultation - Interested or Affected Persons

130 Extensive community consultation was undertaken following the Council’s resolution of 26 July 2013.

Relevant Council Policies and Plans

131 In preparing this report, regard has been had to:
   i QLDC District Plan;
   ii 2012/22 Long Term Plan.

Public Excluded

132 It is recommended that the highlighted sections of this report are considered with the public excluded in accordance with the Local Government Official Information and Meetings Act 1987 Section 7(2)(h), on the grounds that the withholding of information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.
Attachments

C. Lakeview Title Map