



**Submissions on the  
Proposed Amendments to the Policy  
on Development Contributions**

**To be heard on Friday 2 December  
2016 commencing at 9.00am**

**SUBMISSION ON PUBLICLY NOTIFIED REVISED POLICY ON  
DEVELOPMENT CONTRIBUTIONS DATED OCTOBER 2016**

To DC Policy Submission  
Queenstown Lakes District Council  
Private Bag 50072  
Queenstown 9348

Submitter: Queenstown Airport Corporation (QAC)

Address Queenstown Airport Corporation  
C/- Mitchell Daysh Limited  
[REDACTED]  
Dunedin 9054

1. This is a submission on the publicly notified revised policy on development contributions, dated October 2016.
2. QAC's submission is:  
**Queenstown Airport Corporation**
  - (a) QAC operates the regionally and nationally significant Queenstown Airport.
  - (b) Queenstown Airport is the main airport in the Queenstown Lakes District and is the primary take-off and landing point for much of the aircraft activity in the District. The Airport accommodates aircraft movements associated with scheduled, general aviation and helicopter operations. The Airport acts as an essential gateway to the Queenstown Lakes District and facilitates access to the District and economic activity in the local and regional economies. It is also a provider of emergency services and is a lifeline utility under the Civil Defence Emergency Management Act 2002 (CDEM 2002).
  - (c) QAC is a significant landowner in the Frankton Flats area. For the most part, the use of QAC's landholdings is for aerodrome purposes and activities that generally facilitate rather than generate the movement of people and goods through the district and wider region. QAC also owns land to the north of the Airport in the area commonly described as "Frankton Flats B". QAC's Frankton Flats B landholdings are within the primary EAR contributions levy area (identified in Appendix A to the DC Policy).

## Revised Development Contribution Policy

- (d) The revised Policy on Development Contributions (DC Policy) prepared by the Queenstown Lakes District Council (**QLDC/Council**) and notified on Council's website seeks to recover 49% of the capital costs associated with construction of the Eastern Access Road on Frankton Flats (**EAR**).
- (e) In summary, the DC Policy provides for cost recovery through a two-tiered approach to development contributions. Requirements for contributions will apply to applications for resource consent, building consent or service connections lodged on or after 10 October 2016. Most costs will be recovered from landowners in the immediate vicinity of the EAR<sup>1</sup>, while the wider district will be allocated a minor share of the costs. The DC Policy will apportion development contribution requirements relating to construction of the EAR as follows:
- a. Development contributions levied on owners of properties in the Frankton Flats area will recoup 91.8% of the development costs owed by QLDC (\$6,724,809). The affected properties are shown in Appendix A to the DC Policy;
  - b. An adjustment of the development contributions apportioned to the wider Wakatipu Ward will recoup 6.6% of EAR capital costs owed by QLDC (\$480,553); and,
  - c. The remaining 1.6% (\$120,138) of the cost will be recouped through general rates<sup>2</sup>.
- (f) QAC submits that the revised development contributions appropriately apportions costs on Frankton Flats. The approach is also consistent with QAC's view that Queenstown Airport facilitates rather than generates the demand for Council's services.
- (g) Notwithstanding the above, QAC submits however, that some amendments to the development contributions policy may be required to allow the Queenstown Lakes District Council to accept an advanced lump sum payment of development contributions, when volunteered by the developer. While this situation is not expressly precluded from occurring under the current development contributions policy, it is also not expressly enabled. The notified DC Policy should therefore clearly express whether and under what circumstances such payments would be accepted.
- (h) QAC also notes that a portion of the airside facilities have been included in the area of land subject to the Council's traffic modelling and thus targeted development contribution rate. This area of land (located to the south east of the cross-wind runway) is not publicly accessible and is within the airside security fencing at Queenstown Airport. It is therefore unclear why this land was included in the traffic modelling and QAC submits that this area of land should be removed from the targeted area shown in Appendix A of the DC Policy.

---

<sup>1</sup> Shown on the map at Appendix A to the DC Policy.

<sup>2</sup> Set out in Table 3 to the Statement of Proposal accompanying the DC Policy.

(i) Subject to the amendment described in paragraphs (f) to (h), QAC supports the proposed DC Policy as notified and without any further substantive amendments.


3. **QAC wishes to be heard in support of its submission.**

Date: 7 November 2016

Signature: 

Rachel Tregidga

General Manager Property, Queenstown Airport Corporation

Address for Service: Mitchell Daysh Limited  
  
Dunedin 9054

Telephone:   
Email: 

Contact person: Kirsty O'Sullivan

Queenstown Lakes District Council  
Proposed Amendments to the Policy on Development Contributions  
(Section 104(4)(b) Local Government Act)

**Submission by Queenstown Central Limited (QCL) and Queenstown Central E2 Limited (QCL E2)**

1. This is a submission by Queenstown Central Limited and Queenstown Central E2 Limited (QCL) on the amendments to the Policy on Development Contributions released for consultation on 10 October 2016 (“the proposed Policy”). QCL collectively own 22 hectares of land in Frankton Flats within the Contributing Area shown in Appendix B of the consultation document.
2. The proposed Policy sets out how the \$14.95m capital cost of the Eastern Access Road is to be recovered. NZTA will fund 51% of the works whilst the majority of the remainder is proposed to be recovered from local landowners by way of a targeted development contribution. The contribution is proposed to be set at \$613 per Dwelling Equivalent (DE).
3. QCL accepts that it is reasonable for the landowners who stand to benefit from the construction of the EAR to contribute towards its cost. QCL considers, however, that the proposed Policy as drafted is unreasonable and inequitable for the following reasons:
  - a. The proposed Policy is based on an assumption that 92% of the trips have a direct benefit to the immediate landowners whilst only 8% of the trips have a wider benefit. QCL disagrees with this split and considers that the proportion of trips with a wider benefit is higher. Further, QCL has concerns with respect to the methodology that has been applied to the traffic model. Consequently, QCL considers that a greater proportion of the works should be funded by contributions sourced from outside of the Contributing Area.
  - b. There are a number of developments that have already been carried out within Frankton Flats, including the recently constructed Mitre 10 and Pak ‘n Save that will significantly benefit from the construction of the EAR. Despite this, the proposed Policy does not recognise these existing developments and therefore the owners of undeveloped land will be required to fund a disproportionate share of the costs of the EAR. QCL recognises that it is not possible to retrospectively levy contributions against previous developments, however, QCL considers that their share of the costs should be accounted for in a more equitable manner (either through rates or an increase in the general transportation contribution).

- c. Relative to their overall landholdings, QCL has relatively little land that fronts the EAR and the land that does front the EAR is unlikely to be particularly intensively developed. The remainder of the land requires additional roading connections to be developed to provide access from the EAR (in particular Road 5 and Road 8). Additionally, A significant proportion of trips to the QCL land will be accessed via Grant Road and the northern portion of the EAR which are already constructed and which QCL have already made significant contributions towards.
4. Given the above issues in respect of the proposed Policy, QCL considers that a more reasonable and equitable way of determining their contribution to the EAR is through a private developer agreement (or similar method). QCL has already had ongoing discussions with QLDC in respect of their contributions and therefore suggests that the proposed amendment to the Policy be put on hold to allow more time for those discussions to be concluded.
5. In the event that Council does not accept that the process be put on hold, QCL requests that more time be provided between the close of submissions (7 November 2016) and the hearing of submissions (mid-November 2016). Whilst QCL has been in discussions with Council for some time, QCL were not directly served a copy of the proposed Policy (despite being identified as one of a small number of directly affected landowners). QCL only become aware of the proposed Policy on Thursday 3 November 2016 (three working days before submissions were due to close). QCL considers that they have had insufficient time for their specialist advisors to properly consider the proposed Policy and provide advice. QCL further considers that one week is insufficient time to properly prepare for a hearing. It is requested therefore that any hearings on the submissions not be scheduled until mid-December 2016 at the earliest.
6. QCL wish to speak to this submission and would be prepared to consider a joint case if other submitters raise similar concerns.

Gerard Thompson  
Barker & Associates Limited  
7 November 2016

**SUBMISSION ON QUEENSTOWN LAKES DISTRICT COUNCIL'S  
PROPOSED AMENDMENT TO POLICY ON DEVELOPMENT CONTRIBUTIONS**

**TO:** Queenstown Lakes District Council  
Private Bag 50072  
**QUEENSTOWN 9348**

**Name of submitter:** Remarkables Park Limited

**Address:** C/- Brookfields

**AUCKLAND**

Attention: John Young

**Introduction**

1. This is a submission on the Statement of Proposal to Amend the Queenstown Lakes District Council's ("**the Council**") Policy on Development Contributions ("**the Policy**"). The Statement of Proposal relates to the funding of the growth related capital costs of the Eastern Arterial Road ("**EAR**") on the Frankton Flats.
2. Remarkables Park Limited ("**RPL**") is developing land within the Remarkables Park Zone ("**RPZ**"). The RPZ covers 150 hectares south of Queenstown Airport and adjacent to the Kawarau River and Shotover River. This land is zoned for mixed-use development, in particular, commercial/retail, residential, visitor accommodation, conference, educational, medical, community facilities and reserves.
3. RPL is concerned with the following matters in relation to the Policy:
  - (a) failure to comply with contractual agreements the Council has with RPL; and
  - (b) failure to comply with the requirements of the Local Government Act 2002 ("**the LGA'02**") in relation to the sources of the contribution.

4. RPL has engaged traffic and economic experts to assist with the preparation of its submission. It intends calling evidence from Tony Penny (traffic) and Jai Basrur (economics) at the hearing of submissions.

#### **Contractual Agreements with RPL**

5. The Council entered into an agreement with RPL (and Shotover Park Limited (**SPL**)) dated 10 February 2014 (**Agreement**) in which it agreed to (amongst other things):
  - (a) Immediately take all such steps as are practicable and reasonable to complete the acquisition of land required for the EAR (including actively encouraging and assisting NZTA in its endeavours to acquire land) – clauses 4(a)(i) and (ii);
  - (b) Exercise reasonable endeavours to undertake the design and construction of the EAR so that the EAR was completed by **May 2015**, and bring forward and make available the funding allocation in the QLDC's Ten Year Plan for the EAR to the total of \$12,593,000 – clause 4(c); and
  - (c) To give a "Roading Credit"<sup>1</sup> to RPL or SPL in respect of any land or cash contributions made to any section of the EAR controlled by QLDC should any of those parties fund or contribute to the design and/or construction of the EAR in order to expedite the design and construction of the EAR – clause 4(d).
6. Item (c) is particularly relevant because it makes it clear that the Council would fund the design and construction of the EAR. If RPL or SPL was to contribute (by way of land or cash), it was to receive a "Roading Credit". By way of comparison, clause 5(iv) of the Agreement makes it clear that RPL would fund construction of the relocation of a pump station. The Agreement arose from discussions and formal mediation concerning development and the zoning of land within the Frankton Flats. The Council's agreement to fund the EAR was in consideration for various matters that were beneficial to the Council.
7. The Policy is, therefore, contrary to the plain terms of the Agreement which anticipate the Council funding the EAR. RPL is not required to contribute to the funding. Further, if it did so contribute, it was to be reimbursed by way of "Roading Credit". RPL raises these contractual rights solely in relation to it and SPL.



8. Furthermore, RPL notes that it has paid significant development contributions in relation to development already undertaken by it and SPL. It is expected that at least some of those contributions would have been earmarked for the design and construction of the EAR. Furthermore, RPL has already constructed significant portions of the EAR.

### **Compliance with the LGA'02**

9. RPL considers that the Council has failed to meet the requirements of section 101(3) of the LGA'02, which requires:

- “(3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—
- (a) in relation to each activity to be funded,—
    - (i) the community outcomes to which the activity primarily contributes; and
    - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
    - (iii) the period in or over which those benefits are expected to occur; and
    - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
    - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
  - (b) the overall impact of any allocation of liability for revenue needs on the community.”

10. For the reasons that follow, the Council has failed to properly consider the relevant matters under section 101(3).

### ***Traffic Modelling***

11. The traffic modelling relied upon by the Council is intended to provide an assessment of the future demand created by the new road. A number of questions arise, for example:
- (a) What other targeted transportation development contribution levies have been established before?
  - (b) What is wrong with applying the existing transportation development contribution rules so that landowners can anticipate their costs?

12. As noted above, both RPL and SPL have paid contributions for previous development. Those contributions must have been levied (at least in part) to address growth on the Frankton Flats. However, very little roading development has been undertaken by the Council within the Frankton Flats. The Policy seeks to impose an additional levy on RPL in respect of infrastructure for which it has already contributed. Double dipping arises.
13. The local (ie non-NZTA) cost share for the completion of the EAR is intended by QLDC to be split on the basis of predicted vehicle trips in 2045 associated with future development on the Frankton Flats and those associated with existing or approved development. Even if the assessment of the cost share were to be considered appropriate, the allocation of trips in the traffic modelling is flawed.
14. It is important to remember that "trips" have two ends – an origin and a destination. There are three categories of trips between the two different development types to consider:
  - (a) Future development to/from future development;
  - (b) Future development to/from existing development; and
  - (c) Existing development to/frpm existing development.
15. The Council acknowledges that they should fund the 8.2% of trips that are claimed to "reflect a wider benefit." These are the "existing development to existing development" trips, also referred to as "through" trips. These generally involve trips that have both an origin and destination that are associated with existing or approved development.
16. We have been advised that 74% of the trips using the new section of the EAR will have one trip end associated with future development on the Frankton Flats and the other trip end at an existing development either on or beyond the Frankton Flats. All of these trips have been inappropriately allocated only to the future development in terms of benefits and the associated cost share.
17. The landowners (or occupiers) of the existing developments at the other end of these trips will also achieve benefits from the EAR completion (for example, residents in the RPZ might travel on the EAR to shop at Five Mile). However, no targeted contribution is levied against those travellers or the commercial centre to which they travel.

18. NZTA have acknowledged that the EAR “will improve access and safety, from...Frankton Flats area onto State Highway 6, while improving traffic flows on the wider highway network in the Queenstown area.” This is an appropriate acknowledgement that having trips between future development and existing development using the EAR will produce wider benefits.
19. If the EAR were not completed the trips associated the existing developments would need to travel a much greater distance to any future development along more congested roads, which would potentially need to be upgraded sooner. The EAR completion therefore represents a benefit to landowners of existing development (and to the road controlling authorities).
20. Accordingly the costs associated with trips between existing and future development should be allocated equally between the two trip ends.
21. If that is done, we have been advised that the share for the future development reduces from 91.8% to 53.2%. On the basis of this calculation the Council would therefore fund the remaining (47.8%) proportion from existing funds and rates (not just 8.2%).

***Time Streamed Benefits from a Transportation Perspective***

22. When assessing transportation benefits NZTA normally look at a 40 year horizon and discount future benefits (currently at 6% per annum). This allows for the time streaming of benefits such that benefits achieved in the early years are valued more highly than those occurring later.
23. The Council's assessment for the Policy has only looked at one timeframe 2045. By that time it is assumed that the Frankton Flats will have been fully developed including all the currently zoned land for which resource consents have not been granted and which is intended to be subjected to the targeted development contribution.
24. As identified above, if that is the only scenario considered then the future development is estimated to obtain about 53% of the benefits of the EAR completion at that time.
25. However, if the situation is looked at immediately following the completion of the EAR in December 2017 it is very likely that there will be no development completed that is not

approved already. Accordingly 100% of the benefits from the traffic using the EAR will be associated with existing development at that time.

26. It would be incorrect to assume that little traffic will use the EAR initially. In fact it is expected that considerable volumes will occur almost immediately because of the existing congestion on SH6. For example, while the Council's analysis for 2045 estimates that no traffic will travel between the Remarkables Park town centre and SH6 to the east, it is expected that most of this traffic would use the EAR as soon as it is completed.
27. Furthermore, while the SH6 corridor is being upgraded (as is assumed to have happened in the Council 2045 analysis), traffic will divert to the EAR to avoid inevitable delays due to construction traffic management measures. This will again be a very real benefit for traffic associated with existing development albeit only for the duration of the construction period(s).
28. While traffic volumes will increase and the share associated with development not approved in 2016 will increase from zero to 53% in 2045, it is expected that if the share were assessed over that period (and potentially for a 40 year period) on the basis of the nett present value then the share would be considerably lower than 53%.

#### ***Other Transportation Modelling Issues***

29. The Council predicts 400 trips will be made using the EAR from SH6 east to the Remarkables Park town centre in 2045 but none in the reverse direction. Assuming the reverse movement should also be in the order of 400 trips, the landowner share would drop to 89.5%. This initial minor adjustment to the share estimate has been incorporated into the percentages set out above.
30. The benefits associated with transportation are normally calculated on the basis of vehicle-kilometres travelled not simply on the basis of the number of trips.

#### ***Economic Analysis - Distribution of Benefits and the Period Over Which They Occur***

31. The fundamental principle of the proposal is that those who benefit from the EAR should be the ones who pay for it.

32. Traffic modelling data indicates that 91.8% of the trips are to and from trips on the EAR, and these have been considered to yield a direct benefit to the immediate landowners (the residual 8.2% is considered to be a wider benefit) (Table 2).
33. Table 6 analyses the growth assumptions within the analysis areas and the consequent dwelling equivalents. This analysis has been used to develop an allocation basis for recovering development contributions from landowners and developers. This table reflects an *asset resource and infrastructure* perspective and not a *benefit* perspective.
34. This has then been adopted as the funding basis for recovering the targeted development contribution of \$6.724 million (this represents 91.8% of QLDC's contribution - (Table 3)). The logic and inferences drawn are flawed for the following reasons:
- (a) Ownership and usage cannot necessarily be correlated or implied. Indeed, it could be argued that creation of multi usage property hubs which are integrated could reduce the level of usage on the EAR;
  - (b) The "trips" will be undertaken by the wider community and the benefits are derived from the users of the EAR and not the owners of land nearby. Further, the EAR is also used as a transportation conduit by other community participants; and
  - (c) It is important to assess the potential beneficiaries of the EAR and use as the basis of recovering the proposed capital costs (by development contribution or by another mechanism such as rates). This assessment must also consider other beneficiaries in the locality (current and future) such as schools and the airport for example.

In this regard, the RPZ is an integrated development including significant commercial, residential and recreational activities (amongst others). People from across the district will travel to the Remarkables Park town centre. The new Wakatipu High School is currently being developed within the RPZ. This High School will serve the entire district. The EAR provides a benefit to students, their families and staff. All Wakatipu High School traffic from Lake Hayes Estate, Shotover Country, Quail Rise and Arrowtown is likely to use the northern end of the EAR. But as construction of the Wakatipu High School is already well underway it is unlikely that the school will be required to pay a transport levy under this proposal. Similarly, the region's first Pak N Save supermarket has just opened on a site at the northern end of the EAR. Residents from Frankton South (and, while SH6 is in its current form, residents from Jacks Point and Kelvin Heights) will likely use the EAR to

access this supermarket. Yet as an approved and built facility this large supermarket will not be required to pay transport levies under this proposal.

35. The suggested approach for recovering development contributions contradicts the stated fundamental principle: *those who benefit from the EAR should be the ones who pay for it.*

### ***Assumptions and Implications***

36. Table 6 reflects the future growth assumptions by categories. The ten-year growth is considered to be 50% of the projected twenty-year growth assumption. This has then been used as the basis for allocating or calculating the contribution per lot in Part B.
37. RPL question the veracity and reliability of this approach, and the ability to make a twenty-year projection, for the following reasons:
- (a) Growth in property units and dwellings is not necessarily linear. It often tends to be staggered or stepped (based on experience growth has been higher than earlier anticipated). Using a simple linear approach for long term projections could therefore be inaccurate;
  - (b) New owners could emerge over time and they may be subsidised by current land owners thereby creating unintended subsidies across time periods;
  - (c) How will potential cost over runs be financed as development contributions would have been made at an earlier point in time?;
  - (d) There could be no relationship between those who benefit from the EAR in future periods and those who are required to pay development contributions now; and
  - (e) Current owners may be required to contribute now while there is a possibility that their plans could change in response to altered circumstances and conditions. How will this be handled?

***Inclusion of Interest Costs in Growth Costs***

38. The growth costs to be recovered, which are estimated to be \$8.92 million, include an amount of \$2.19 million for interest costs. This reflects a twenty-year perspective (we are unclear on the way interest has been calculated).
39. The growth costs for ten years are assessed to be \$4.05 million (including interest). This figure has been used as the basis for calculating a contribution of \$613 per lot.
40. RPL considers it unfair and erroneous to ask landowners to finance any interest cost component when the investment and costs are to be incurred in the future. Further, the emphasis of making such contributions is to reduce the extent of QLDC debt and its interest cost burden. Clearly the landowners themselves would be incurring an explicit or opportunity cost in making the required contributions.

***Other General Comments***

41. Ownership and benefits derived cannot be inferred. Often there is an inverse relationship between the two. Inferring such a relationship on an assumed long term basis and using this as the basis for obtaining development contributions is flawed, particularly in light of the requirements of section 101(3) LGA'02 to consider the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.
42. The present approach of obtaining development contributions has unintended consequences and creates inconsistencies in the application of stated principles. For example, if current landowners are asked to make development contributions they would include such costs in the developments they undertake (and likely at a margin). This could escalate property prices further. Clearly this is not desirable and is a matter that the Council should consider 101(3)(b) of the LGA'02 (...the overall impact of any allocation of liability for revenue needs on the community). A policy that increases the cost of, say, housing is an undesirable policy. Aligned to this is the "windfall" to existing property owners in terms of an increase in property values if the cost of development rises.
43. We consider the present mechanism of financing the investment from a balance sheet and debt reduction perspective using questionable allocation assumptions does not meet the requirements of the LGA'02.

44. There would be benefit and better alignment with the fundamental principle of the proposal (that those who benefit from the EAR should be the ones who pay for it) from obtaining financing to undertake the EAR project and using the rating mechanism to repay such financing on a principal and interest basis. This would minimise the level of hypothetical assumptions involved, reduce potential investment cost risks, and ensure alignment between the people who benefit in a period and those who pay – as per the stated principle.

**Relief Sought**

45. RPL seeks the following relief:

- (a) That RPL and SPL are excluded from the Policy given the contractual agreements they have with the Council;

OR

- (b) That the Policy be reconsidered to properly address the requirements of the LGA'02, particularly in relation to the traffic modelling and achieving a policy that ensures that those who benefit from the EAR pay for it.

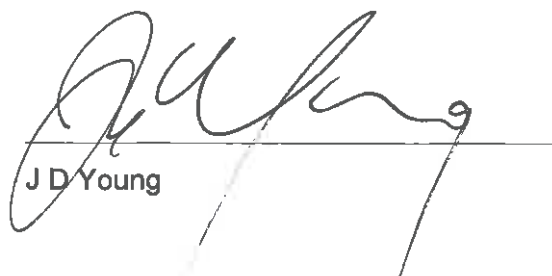
OR

- (c) Such other relief as is appropriate to address the issues raised in this submission.

46. RPL wishes to speak and present evidence in support of its submission.

47. If others make a similar submission, RPL will consider presenting a joint submission at a Council hearing.

**REMARKABLES PARK LIMITED** by its lawyers  
and duly authorised agents **BROOKFIELDS**

  
J D Young



**Subject:** Development Contributions

---

**From:** w berry [mailto: ]  
**Sent:** Wednesday, 9 November 2016 5:48 PM  
**To:** Stewart Burns  
**Subject:** Development Contributions

ATTENTION Mr. S BURNS

Stewart,

We have just arrived back in Australia, after our annual sojourn to the U.S. ; and picked up your letter of 21 October 2016 regarding Development Contribution amendments.

We submit that our property at 61 Grant Road is a **residential property** purchased several years ago expressly for the purpose of retaining a residence at that address with the capability of construction of an adjoining barn for the storage of personal possessions. **There is no benefit whatsoever to us (commercially or otherwise) for the development of an Eastern Access Road on Frankton Flats.**

It is interesting that your letter has consultation dates well before the date at which you mailed your letter. You should also be aware that the typical time that it takes for an airmailed letter to travel between Queenstown and Australia (and vice versa) is one to three weeks; hence the reason for this email.

Your sincerely

Wayne R. Berry

Pexton Holdings Ltd



AUSTRALIA