

QLDC Council

31 August 2023

Report for Agenda Item | Rīpoata moto e Rāraki take [3]

Department: Corporate Services

Title | Taitara : Statement of Proposal for Project Manawa

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to consider adopting a Statement of Proposal for the purposes of a Special Consultative Procedure, to seek public submissions on a proposed land strategy for the Stanley Street site and proposed joint ownership (with Ngāi Tahu Property Limited) and governance arrangements for the future civic administration building through a Council Controlled Organisation.

Recommendation | Kā Tūtohuka

That the Council:

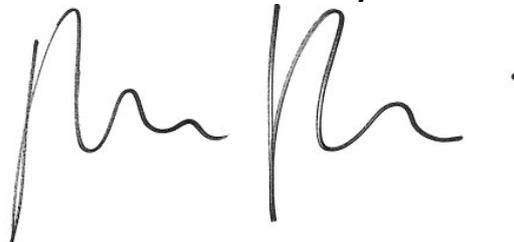
1. **Note** the contents of this report and;
2. **Adopt** the Project Manawa Statement of Proposal dated August 2023 (**Attachment C**) for the purposes of commencing a Special Consultative Procedure in relation to the proposal;
3. **Authorise** officers to publicly notify the Project Manawa Statement of Proposal for public submissions under a Special Consultative Procedure;
4. **Appoint** a hearings panel consisting of *[three members to be specified by the Council]* to hear submissions and make a recommendation on the:
 - a. proposed land strategy for the Stanley Street site; and
 - b. proposal of joint ownership (with Ngāi Tahu Property Limited) and governance arrangements for the future civic administration building through a Council Controlled Organisation (noting the establishment of a CCO will require a future decision by the Council); and
5. **Direct** officers to report back the recommendation of the hearings panel.

Prepared by:



Name: Paul Speedy
Title: Manager Strategic Projects
21 August 2023

Reviewed and Authorised by:



Name: Meaghan Miller
Title: General Manager Corporate Services
23 August 2023

Context | Horopaki

1. The Queenstown Lakes District community and QLDC recognise the importance of land known as the Stanley Street site (the Site) to Queenstown's development and growth as a township and community.
2. The Queenstown town centre masterplan identifies that the Site, partly QLDC administered Crown reserve land and QLDC owned freehold land, and partly land held by the Ministry of Education, is the preferred location for a community heart including arts and cultural facilities. The masterplan has identified that co-locating these facilities with the civic administration building (CAB) and library will create a vibrant cultural centre in the central business district.
3. The Ministry of Education has advised that the underlying designation of the land held for educational purposes will change to local purpose reserve this year, once the buildings are vacated after relocation of the playcentre to the Queenstown Primary School grounds.
4. To the iwi and whānui of Kāi Tahu, the Site is wahi nui o te tikanga ahurea, a place of significant cultural importance, being part of a gathering area since pre-European times. Kāi Tahu has an interest in the reserve land forming part of the Site as a Treaty, Te Tiriti o Waitangi, partner. This interest is in the form of a right of first refusal (RFR) derived from the Ngāi Tahu Claims Settlement Act 1998.
5. In 2019 QLDC and Ngāi Tahu Property Limited (NTP) beneficially owned by Te Rūnanga o Ngāi Tahu (Kāi Tahu) entered into a partnering agreement (PA) to explore ways to work together to integrate the various parcels of land comprising the Site (that may include adjacent QLDC and NTP land)¹, within a coordinated plan, to deliver various proposed developments including the CAB and associated community buildings, along with some commercial buildings.

¹ QLDC has since acquired freehold on the corner of Shotover Street and Henry Street. NTP has since acquired freehold land at 8 Henry Street.

6. In particular, since 2019 QLDC and NTP have worked together under the PA to develop a holistic approach to unlock the full potential of the Site, given their respective interests in the land, and have:
 - a. developed draft foundation documents (for the purpose of consultation), being:
 - i. site development plan and programme setting out the vision and possible phasing of development of the Site; and
 - ii. feasibility model setting out the key commercial drivers;
 - b. developed a proposal for a land strategy for the Site; and
 - c. investigated joint ownership (with NTP) and governance arrangements for the future CAB which would necessitate a Council Controlled Organisation (CCO).
7. Elements of the land strategy and the creation of a CCO require public consultation. Both matters, the land strategy and creation of a CCO, are an important step towards supporting the longer-term use of the Site for Project Manawa. It is recommended that they are included together as one Special Consultative Procedure (SCP) including public notification, submissions and a hearing.
8. The Council's consideration of the outcome of consultation (should it adopt the Statement of Proposal (SOP) and authorise public notification) will inform future decisions of the Council in respect of the Site, including future decisions on the underlying land interests, joint venture arrangements (CCO), advancing commercial discussions with NTP and land sales/revenue. Further decisions of the Council on the development and construction of proposed, public space and future facilities will come at a later date, as the Site is developed progressively over time.

Analysis and Advice | Tatāritaka me kā Tohutohu

Site development plan and programme

9. Planning and decision making on Project Manawa is guided by Vision Beyond 2050, the community-developed vision for the district which the Council committed to in March 2019. It is also guided by the Queenstown town centre masterplan which was endorsed by the Council in 2018 following extensive community engagement.
10. In conjunction with NTP, a site development plan for the Site has been developed and has taken an integrated development approach, considering wider Queenstown town centre projects and objectives e.g. a proposed public transport hub on Stanley Street. It is a high-level masterplan that has considered the Site opportunities and constraints, consultant desktop investigations and tested an initial programme of activities and aspirations for the Site.
11. The site development plan vision and possible phasing for development of the Site is provided as **Attachment A**. For clarities sake, these do not represent an actual developed design.

12. A range of community facilities form part of the vision including a new purpose-built modern library, a central community meeting place for civic gatherings, a space for markets or cultural festivals, spaces for visual and performing arts, and shared public workspaces. All proposed facilities are subject to available budget, only the CAB (including an interim library space²), proposed performing arts centre, and public space are currently included in the 2021-31 Ten Year Plan.
13. The plan identifies future development opportunities for a range of commercial opportunities, retail and hospitality functions which will enhance the Site. Revenue from this could provide additional funding to create more affordable options to help deliver the range of possible community and civic facilities.

Feasibility model

14. The opportunity of NTP participating in Project Manawa provides Kāi Tahu further presence in the Queenstown town centre, which underpins the partnership QLDC has with NTP, under the PA. Also, QLDC has an opportunity to share development risk with NTP, a reputable and experienced property developer.
15. The feasibility model has been developed based on the CAB being the first development. If the CAB joint venture (JV) with NTP proceeds, it unlocks opportunities on the Site to develop other community assets, commercial assets and public space. These commercial arrangements are not finalised and are still subject to negotiation and consideration of the outcome of consultation by the Council.
16. The commercial terms are to be agreed with NTP in relation to the CAB but will reflect market parameters and be similar to other public and private sector transactions as well as iwi/private developer collaborations. Both parties have been working on the basis that the CAB could be jointly owned and developed by QLDC and NTP on a 50/50 basis for QLDC to occupy as a tenant.
17. The PA anticipated that the CAB would be developed, by way of JV with NTP, on local purpose land on a leasehold basis from QLDC to the JV. The local purpose reserve land is administered by QLDC on behalf of the Crown (the owner of the land) under the Reserves Act with restrictions on use. This adds transaction and development complexity particularly in respect to determining a value of the asset on termination of the lease.
18. After interrogation of the feasibility model, it became clear commercially that the benefits for QLDC from leasehold tenure were more than offset by the associated transaction/development complexity. There would also be an implied cost (in the form of rent) that QLDC would need to pay to the JV to facilitate the development. Furthermore, leasehold tenure was considered less desirable by NTP, noting (generally) iwi's connection to whenua.
19. As a consequence, the structure of the feasibility model pivoted to the JV creating a freehold title on land for the CAB to be owned by QLDC and NTP on a 50/50 basis. Although QLDC would no longer have sole control of the underlying land, this is offset by the advantages of higher up-front

² Equivalent to existing library space within Gorge Road QLDC premises.

value for the land. As a JV partner, QLDC would continue to participate in the benefits associated with freehold land tenure on a 50/50 basis.

20. The feasibility model memo, including outline (as a basis for consultation) of proposed key commercial terms for the CAB, other community assets, commercial assets and public space is provided as **Attachment B**.

The proposal

Land strategy for the Site

21. The purpose of the land strategy is twofold. Firstly, to create an arts and cultural precinct on QLDC administered reserve land to enable the development of community assets and public space. Secondly to create future freehold land development opportunities (including the CAB) surrounding the precinct.
22. Based on the vision for future development in the site development plan, the land strategy retains sufficient contiguous reserve land to optimise space for the precinct so that community assets and public space can be integrated around that vision for the Site. The future freehold land development opportunities (balance of the land) unlock commercial value to offset delivery costs of community assets and activates the precinct.
23. There are a few stages required to establish appropriate boundaries and underlying land status to match the intended use and functions of the Site. This is because the current status (i.e. legal designation or defined purpose) of the land parcels making up the Site are not best suited to the vision provided by the site development plan.

Land exchanges

24. It is proposed that part of Ballarat Street (between the new arterial road and Stanley Street) is stopped to form part of a larger public square or plaza. If this part of Ballarat Street is stopped, the underlying land would become freehold land held by QLDC. This freehold land could then be exchanged for a piece of reserve land within the Site. The result would be the Ballarat Street land would become reserve land and create a contiguous block of reserve land forming a core of reserve land for the community buildings and facilities, and the reserve land on the site (for which the Ballarat Street freehold was exchanged) would become freehold land and be part of the freehold land surrounding the core of reserve land and become available for future development or for the CAB.
25. A second stage would see QLDC and NTP exchanging freehold land from another location, with the reserve land on the Site. This will change the existing status of that land from Local Purpose Reserve to freehold, thereby enabling possible future development opportunities to create revenue to help deliver community assets on the site. QLDC has identified freehold land at 9 Robertson Street, Frankton as potentially suitable for the exchange. This stage would change the status of the exchanged part of the land at 9 Robertson Street to local purpose reserve, for the benefit of the community. The land and terms for the proposed NTP exchange is to be confirmed.

26. It is proposed that the stopping of part of Ballarat Street can take place under the Public Works Act 1981 and the land exchanges under the Reserves Act 1977 processes and provides QLDC with development options for the freehold land around the proposed central arts and cultural precinct. These may include entering into a JV with NTP, selling the land or holding it for a future range of possible uses. A strip of reserve land (2.5m set back) will be retained along the entire site frontage with Stanley Street to allow for future expansion of the transport hub.

Governance arrangements for the CAB through a CCO

27. While the terms of any JV arrangements for delivery of the CAB have not been agreed, the feasibility model assumes that the CAB could be jointly owned and developed by QLDC and NTP on a 50/50 basis. Under the Local Government Act 2002, joint ownership and decision making requires the creation of a CCO.
28. A CCO is an entity in which a local authority controls 50% or more of the voting rights and/or can appoint 50% or more of the members controlling the entity. The structure is designed to provide an appropriate level of QLDC oversight and involvement and a strong basis for public accountability and control of the project.
29. The creation of a CCO requires public consultation. It is important to note the proposal to form a CCO is subject to the outcomes of this consultation and could only be formed after commercial terms and a detailed development agreement for the building are agreed by the Council and NTP. The Council will need to formally resolve to create a CCO before it can be established.
30. If established, the CCO's scope would be limited to developing and owning the CAB and would be subject to the governance, accountability and reporting requirements of the Local Government Act 2002. This includes preparing statements of intent and expectations, performance monitoring, half-yearly and annual reports, audit and oversight by the Auditor-General.
31. The Project Manawa SOP, including the consideration of options for the land strategy and governance arrangements for a CAB CCO, is provided as **Attachment C**.
32. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
33. Option 1 - Adopt the SOP and undertake consultation.

Advantages:

- Enables the community to make submissions about the proposed land strategy and governance arrangements for the CAB through a CCO which will inform future decisions of the Council for Project Manawa.
- The options set out in the SOP provide clear choices for the public and it is essential to consider the feedback if commercial arrangements are to be moved forward, for example the preference for more freehold land for commercial opportunities to be explored, and the communities view on a CCO.

- Community feedback is essential before QLDC can decide whether to approach both the Minister for Land Information and the Minister for Conservation with the proposals for the stopping of part of Ballarat Street and the proposed land exchanges, both to present clear proposals and also to show the views of the public have been considered.
- NTP have made it clear that they need more certainty from QLDC in relation to the Manawa Project before engaging fully on the opportunities, and consultation will provide the basis for this as the Council can then make future decisions informed by public consultation.
- Demonstrates QLDC's commitment to the partnership with NTP and also provides a clear process for Kāi Tahu as a key stakeholder to provide feedback on the options.

Disadvantages:

- Given we are seeking consultation at an early stage, at a point when future costs are not fully quantified and the possible revenue from the commercial opportunities are not known, the consultation may raise concerns from the community regarding the potential future affordability of some of the proposed community assets (including CAB) and public space.

34. Option 2 - Do not adopt the SOP (status quo).

Advantages:

- Current land status of the Site is retained.
- Deferring the costs of the consultation.

Disadvantages:

- The proposals set out in the SOP cannot proceed as envisaged.
- Current land status of the Site is retained, and the activation of the Site will be delayed, including the envisaged arts and cultural precinct.
- A holistic approach to the Site is more difficult to achieve.
- Discussions with commercial parties will stall as there is no certainty of direction.
- Consultation will be required at a future stage to realise some or all of the opportunities, so little is achieved by not consulting now.
- The Council cannot make an informed decision about the future of the Site without involving the community, other than retaining the status quo.
- Potentially foregoing revenue opportunities if future development opportunities cannot be realised.

- The proposed joint venture arrangements with NTP cannot proceed and so QLDC's ability to share the development risk with NTP for the CAB, while sharing the benefits of joint ownership of the CAB land as a JV partner, may not eventuate.

35. This report recommends **Option 1** for addressing the matter to give the community an opportunity to make submissions on the underlying land interests of the Site and joint venture arrangements (CCO) for the CAB, which will help advance commercial discussions with NTP and support the vision for Project Manawa.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

36. This matter is of high significance, as determined by reference to the [Council's Significance and Engagement Policy](#) because Ballarat Street being part of the road network is listed as a strategic asset. The proposal to stop the legal road and then exchange the land with reserve land, in effect transfers ownership of that land to the Crown. Any decision relating to the sale or transfer or sale of shareholding of any strategic asset is assessed as a matter of high impact and will trigger a SCP.
37. The local purpose reserve land on the Site is not listed as a strategic asset, however the proposed Reserves Act land exchange(s) process follow the SCP, including Ministerial approval. The proposal of joint ownership (with NTP) and governance arrangements for the future CAB through a CCO involves Mana whenua and will have a significant level of interest from the community.
38. As the Project Manawa SOP is intended to inform future decision making relating to the land exchanges (including road stopping) and governance arrangements for the CAB through a CCO, it is appropriate that the consultation be included together as one SCP.
39. The persons who are affected by or interested in this matter are the residents/ratepayers of the Queenstown Lakes District community, Te Rūnanga o Ngāi Tahu (Kāi Tahu), the Department of Conservation, the Ministry of Education, Ministry for Land Information New Zealand (LINZ) and current occupiers of the Site.
40. QLDC may request the Minister for Land Information to authorise the stopping of Ballarat Street pursuant to section 116 Public Works Act 1981 (PWA). Public notice is not required for the road stopping under the PWA, but consultation with internal stakeholders, iwi, and others may still be required or deemed appropriate under QLDC policies or other legislation. In this case, the proposal is for QLDC and NTP to jointly approach the Minister.
41. The land exchanges under s 15 Reserves Act will take place in tandem (and does require public notice). The intention is for the Minister for Land Information (for the PWA stopping) and the Minister of Conservation (for the Reserves Act land exchanges) to coordinate.

Māori Consultation | Iwi Rūnaka

42. QLDC has a responsibility to engage with a broad range of Kāi Tahu stakeholders with respect to the Stanley Street site.
43. Kāi Tahu (represented by NTP) have been working closely and collaboratively with QLDC, under the PA, on the site development plan and feasibility model, and proposed land strategy and governance arrangements.
44. Kāi Tahu rūnanga and whānui are very supportive of the intent of the partnership and the opportunity to support a Kāi Tahu presence in the Queenstown town centre. NTP has also ensured that Te Rūnanga o Ngāi Tahu (Kāi Tahu) is informed of progress as the Site development presents the basis for a Public Iwi Partnership.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

45. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK00031 Ineffective management and governance over legislative compliance within the [QLDC Risk Register](#). This risk has been assessed as having a moderate inherent risk rating.
46. The approval of the recommended option will support QLDC by retaining the risk at its current level. This shall be achieved by providing the opportunity to formally engage with the community on this matter.

Financial Implications | Kā Riteka ā-Pūtea

47. There are no financial implications relating to this matter. However, the Council's consideration of the outcome of this consultation will inform future consideration of Project Manawa costs and revenue.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

48. The intent to redevelop the Site was referred to in the 2018-2028 Ten Year Plan and the 2021-2031 Ten Year Plan consultation processes. The 2021-2031 Ten Year Plan funding was approved for a number of facilities on the Site. These include the future CAB (including library space), proposed performing arts centre and public space.

Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

49. The recommended option is consistent with the requirements of the SCP under section 83 of the Local Government Act 2002 (LGA).

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kīaka

50. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

51. The recommended option:

- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with QLDC plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of QLDC or transfer the ownership or control of a strategic asset to or from QLDC.

Attachments | Kā Tāpirihaka

A	Site development plan and programme summary
B	Feasibility model memo
C	Project Manawa SOP - August 2023