

QLDC Council
27 June 2019

Report for Agenda Item | Rīpoata mot e Rāraki take : 4

Department: Corporate Services

Title | Taitara: Partnering Agreement with Ngāi Tahu Property Limited for Development of Central Queenstown Community Precinct.

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 The purpose of this report is to consider entering into a partnering agreement with Ngāi Tahu Property Limited to establish a community precinct on the Stanley Street site.

EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA

- 2 QLDC wishes to develop community assets, including a civic administration building, public spaces and, subject to consultation, a performing and visual arts centre and permanent library on the Stanley Street site in Queenstown.
- 3 Ngāi Tahu Property Limited approached QLDC with a proposal to act together in respect of the various land interests held by QLDC and Ngāi Tahu Property Limited comprising the Stanley Street site, with a view to agreeing a development plan for the site to deliver an integrated development of community assets and commercial buildings.
- 4 Under a Memorandum of Understanding the parties have developed a proposed Partnering Agreement which, if the Council decides to proceed with the option to partner with Ngāi Tahu Property Limited, would enable the parties to work together to develop the Stanley Street site for mutual benefit and the benefit of the Queenstown Lakes District, its communities, and its position as New Zealand's premier domestic and international tourism destination.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report and in particular that QLDC and Ngāi Tahu Property Limited have been discussing the opportunity to realise the full development potential of the Stanley Street site, including how the parties can work together to:

- a. deliver a project which develops the whole of the Stanley Street site to establish a community precinct (including civic administration building, library, arts and cultural facilities, along with some commercial buildings) for the benefit of the Queenstown Lakes District community;
 - b. investigate the feasibility of consolidating and regularising the titles to the Stanley Street site to “unlock” such potential;
 - c. explore a site development plan, including developing the Foundation Documents, in respect of the development of the Stanley Street site that is also consistent with realising this potential.
2. **Approve** the intention to enter into the proposed Partnering Agreement with Ngāi Tahu Property Limited (Option 2) for the purposes of:
- a. formalising, detailing and giving contractual effect to the discussions to date between the parties;
 - b. establishing the key tenets of the relationship between them and setting out the terms on which the parties agree generally to work together to progress the project; and
 - c. establishing processes to govern the planning, design, programming, and activation of potential developments and, where applicable, the negotiation of future development commitments (and Development Agreements).
3. **Authorise** the Chief Executive to finalise negotiations and execute the proposed Partnering Agreement with Ngāi Tahu Property Limited.
4. **Authorise** officers to provide public notice of its intention to:
- a. stop the part of Ballarat Street (shown in the plan provided in Attachment A) under the statutory process outlined in Schedule 10 of the Local Government Act 1974;
 - b. exchange the stopped part of Ballarat Street with an equivalent area of reserve land at the Eastern end of the Stanley Street site (shown in the plan provided in Attachment A) under the statutory process set out in sections 15, 119 and 120 of the Reserves Act 1977; and
 - c. Change the local purpose of the reserve land on the Stanley Street site, including the exchange (reserve) land (per 4a. and b), to accommodate the proposed (community precinct) development, under the statutory process set out in sections 24A, 119, 120 Reserves Act 1977.
5. **Direct** officers to report back to Council on progress with preparation of the Foundation Documents.

Prepared by:



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20/06/2019

Reviewed and Authorised by:



Mike Theelen
Chief Executive

21/06/2019

CONTEXT | HORPOAKI

- 5 The Queenstown Lakes District community and Council recognise the importance of land known as the Stanley Street site (the Site) to Queenstown's development and growth as a township and community.
- 6 The Queenstown Town Centre Masterplan identifies that the Site, partly Council administered Crown reserve land and Council 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.
- 7 Last year Ngāi Tahu Property Limited (NTP) beneficially owned by Te Rūnanga o Ngāi Tahu (Ngāi Tahu) approached QLDC with a proposal to work together to integrate the various properties comprising the Site, with a coordinated plan, to deliver various developments including the CAB and associated community buildings, along with some commercial buildings. Ngāi 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.
- 8 On 25 October 2018 the Council entered into a memorandum of understanding (MoU) with NTP to explore the opportunity to develop the Site, addressing identified site constraints and optimal uses, to realise the full development potential of the whole of the Site.
- 9 These discussions have been productive and QLDC and NTP have recognised that by acting together, mā te mahi ngātahi, they have an opportunity to collaborate (to apply their own unique rights and interests in the Site) for mutual benefit and the benefit of the Queenstown Lakes District, its communities, and its position as New Zealand's premier domestic and international tourism destination.
- 10 The existing Queenstown Town Centre Masterplan and CAB business cases consider and present viable delivery options for the partial development of the Site, which have been consulted on with the community as part of the 2018-2028 Ten Year Plan (TYP).
- 11 If the Council wishes to develop additional community buildings (potentially including a performing/visual arts centre and permanent library), this will require further public consultation and funding approval(s).
- 12 The Council will need to consider if it can best achieve its wishes for development of the whole of the Site under the proposed partnering agreement, compared with a third party developer (other than NTP) or by acting alone.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Site Development Principles

- 13 QLDC's interests are primarily community focused and reflect the Site's strategic significance, historic public engagement and existing uses. The following principles inform QLDC's desires for realising the development potential of the Site:
- a. Develop enduring community relationships;
 - b. Deliver the community assets with urgency;
 - c. Optimise best value for residents and ratepayers;
 - d. Maintain a residual interest in the land;
 - e. Enhance the quality of our natural, business and living environments having considered "best practice" planning and design objectives.
- 14 QLDC recognises that delivery of community assets i.e. public buildings and facilities, that do not normally provide a material (if any) financial return, can be challenging. Therefore an integrated 'whole of precinct' development approach is anticipated, where community assets are developed on community (reserve) land that can be financially supported by commercial development on the balance (freehold) land, improving the community asset's economic viability.
- 15 There may be opportunities to make available additional freehold land to realise further commercial outcomes that will support delivery of more community assets.
- 16 Any development proposal should consider the land value and its long term ownership, delivery and operation of the intended/desired public assets and commercial uses (to assist economic viability) and infrastructure requirements, specifically those critical to implementation of the Queenstown Town Centre Masterplan programme.
- 17 It is intended that public car parking will not be provided on the Site beyond the demands of the onsite activity. Public parking for the central business district will be provided elsewhere and suitable funding (currently identified in the TYP for public car parking on this site) can be reallocated, subject to the necessary process and Council resolution(s).

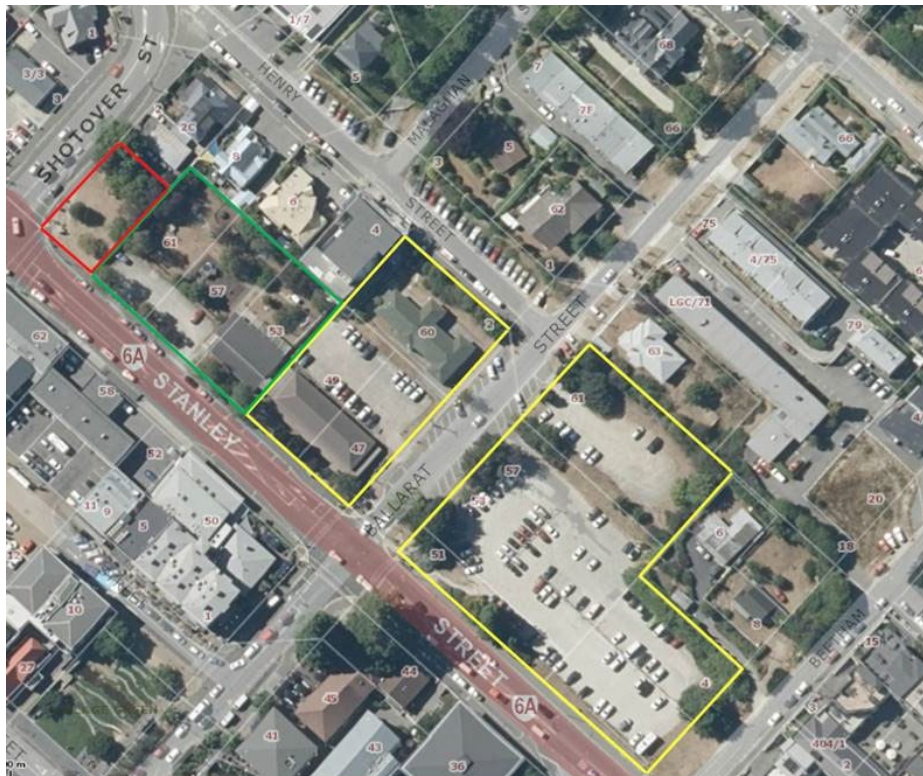
The Site

- 18 The Site is one with a rich and longstanding community history. QLDC owns freehold land forming part of the Site, and holds/administers part of the Site as reserve land under the Reserves Act 1977. The Ministry of Education (MoE) also holds part of the Site for educational purposes under the Education Act 1989 (noting that QLDC has an interest in that land through historic agreement(s) with the Crown).
- 19 To the iwi and whānui of Ngāi 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. This is especially so in relation the Site's use as part of Ngāi Tahu's ancient pounamu

(greenstone) trail, including to the Dart/Te Awa Whakatipu and Rees/Puahere Rivers, and Pigeon Island/Wāwāhi Waka, opposite the mouth of the Greenstone Valley.

- 20 Ngāi Tahu has various existing rights and interests in the Site, including the RFR over land forming part of the Site, as well as an interest in land which could potentially form part of the Site for partnering purposes.
- 21 The Site is also subject to a number of constraints (including Ngāi Tahu’s RFR interests) which would need to be addressed or “unlocked” to realise the whole development opportunity. QLDC is unable to fully unlock the Site constraints to realise the potential development opportunities by working alone, or with any other party (as no other party has the same rights and interests in the Site as NTP).
- 22 The current Site - showing the various interests held by QLDC and NTP - is shown coloured on the plan (below) as Figure 1 and comprises:
 - a. **Red:** QLDC-owned freehold land;
 - b. **Yellow:** Land held and administered by QLDC as Local Purpose Reserve under the Reserves Act 1977, and which is subject to Ngāi Tahu ‘s RFR; and
 - c. **Green:** Ministry of Education-owned land, in respect of which both QLDC and Ngāi Tahu have certain rights.

Figure 1: Indicative Site Plan



- 23 QLDC has developed a land strategy that will enable it to obtain the best value from the Site and the best outcomes for the community. There is a desire to create a strong

community heart on a centralised parcel of reserve land along with opportunities for commercial development that will financially support the development of community buildings and facilities.

- 24 In order to realise the full development potential of the Site a road stopping and Reserve land exchange is proposed (subject to appropriate process and consultation). It is recommended that this process is undertaken, given the precinct (integration) benefits it could create. This proposal is shown on the plan provided as Attachment A.
- 25 If Ballarat Street was stopped to form a public square or plaza, it would become freehold land held by QLDC. This could then be exchanged for a piece of reserve land at the corner of Beetham and Stanley Streets, to create a contiguous block forming a core of reserve land for the community buildings and facilities, and a block of freehold land at the Eastern corner of the Site for commercial development.
- 26 There are processes for road stopping available under the Public Works Act 1981 and the Local Government Act 1974. The preference is the Local Government Act process as it remains within the control of QLDC, which administers the public notice and notifies LINZ directly of the road stopping.
- 27 The land exchange would require public notice and an opportunity for public submissions, followed by confirming decisions by both QLDC and the Minister of Conservation, and registration by Gazette notice.

Partnering Agreement

- 28 The MoU has enabled QLDC to enter into discussions with NTP to develop a partnering agreement for development of the Site. The parties have developed a Partnering Agreement which, if the Council decides to proceed with the option to develop the Site with NTP, would enable the parties to agree certain relationship principles to act in good faith and in a transparent and non-adversarial manner to develop the Site. In particular the parties would develop the following Foundation Documents:
 - a. A programme which meets the needs of both QLDC and NTP;
 - b. A site development plan which provides sufficient detail to articulate the approach to each development on the site and the project as a whole; and
 - c. A feasibility model which develops sufficient detail to understand the costs, expenses and returns to each party in undertaking the development of all or part of the Site.
- 29 Before any development can proceed, the Foundation Documents referred to above will need to be prepared by the parties in accordance with the proposed Partnering Agreement.
- 30 The parties would then, based on the Foundation Documents, seek to agree detailed development agreements (Development Agreements) for each potential development on the Site. Each Development Agreement would be subject to approval of full Council and

will contain sufficient detail to identify the design, programme, costs and returns for each development. The proposed Partnering Agreement contemplates that public consultation will be required for certain elements of the proposed development.

Principal Commercial Terms

31 The principal commercial terms of the proposed Partnership Agreement are that the parties will seek to agree one or more Development Agreements reflecting the following principles;

- a. That the CAB and public (community) spaces be developed first;
- b. That the Site will be fully integrated and conform to an agreed master plan;
- c. That additional land could be incorporated into the integrated development of the Site;
- d. That the parties will work together to realise the full value of the land and determine the appropriate land strategies to do that, including (subject to agreeing terms) NTP's waiver of its RFR for the term of the proposed Partnering Agreement. QLDC and NTP will take valuation advice in this regard;
- e. That the Site will be developed under one or more long term leases (between 99 and 125 years, depending on the nature of the land title) granted pursuant to the Development Agreements which will provide for:
 - i. The return of the land and assets to QLDC on the expiry of the lease;
 - ii. A rent pre-payment by NTP based on an agreed freehold land value;
 - iii. Developments that conform to the requirements of the Foundation Documents, in terms of overall approach to the Site, programme, design, costs and returns;
 - iv. Well-designed public spaces funded by both QLDC and NTP;
 - v. QLDC to have the option to participate in the development entities with NTP and receive a return on any capital invested; and
 - vi. QLDC to be a tenant and occupier of the CAB and pay a rent to be agreed.

32 This form of partnering development approach raises the feasibility of Council delivering a suite of community buildings in a timely manner, not otherwise achievable given its funding constraints.

Procurement

33 QLDC has taken procurement advice in relation to the proposed partnering arrangement at different stages of negotiations, to accommodate the fluid nature of discussions.

Procurement has also been a consistent consideration in on-going assessments informed by both external advisors and staff.

- 34 Having considered the advice received and internal discussions, should the Council decide to proceed to develop the Site with NTP, the Council can be satisfied with the process associated with entering into the proposed partnering arrangement.
- 35 To ensure compliance with applicable procurement rules, policies and guidance, procurement will continue to be assessed as development agreements are negotiated and the partnering arrangement looks to engage suppliers/consultants.

Other Third Party Developer

- 36 The primary advantage of selecting a third party developer (other than NTP) would be an ability to 'test the market' through a competitive procurement process.
- 37 Any ground lease over reserve land would however need to be limited to less than 50 years based on potential application of Ngāi Tahu RFR interests. This will impact the capital value back to QLDC and investment return for a developer over time.
- 38 If the Council would like to pursue this option, further feasibility work and an assessment of transaction options will be necessary.

Decision Making

- 39 The proposed arrangements contemplate QLDC making a number of separate interrelated decisions that should be progressed as part of an integrated plan.
- 40 Specifically the arrangements envisage that QLDC will make general commercial decisions at the appropriate time about whether to agree to:
 - a. the Partnering Agreement (which is a matter for decision in this report);
 - b. the Development Agreement for the CAB (which is a priority for QLDC and is already contemplated by the TYP, so is in its own category); and
 - c. any other Development Agreements proposed (which are not yet contemplated by the TYP).
- 41 In addition, at this stage the following statutory or regulatory decisions are contemplated (in the order in which they would need to be made):
 - a. stopping the part of Ballarat Street that runs through the proposed CAB site;
 - b. exchanging that part of Ballarat Street (which will be freehold land) with reserve land at the Eastern end of the Site, thereby "freeholding" this land;
 - c. changing the purpose of local purpose reserve land to enable the CAB development; and

- d. granting long term lease(s) over the local purpose reserve land.
- 42 Each of the above actions requires a specific decision under the relevant legislation: some may be made by officers, some must be made by the governing body and some may require Ministerial approval. However given the decisions are interdependent, QLDC will endeavour to progress them in an integrated fashion to the extent possible. This may, for example, include consulting with the community and stakeholders on the area of road to be stopped, land exchange, and reserve purpose change together.
- 43 The matters for decision are whether to agree to the proposed Partnering Agreement and commencing public engagement on the proposed road stopping, land exchange and changing the purpose of the local reserve land.
- 44 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:
- 45 Option 1: Status Quo – QLDC develop the Site alone.

Advantages:

- a. Funding utilises QLDC's low cost of capital;
- b. Can commence immediately as provision for CAB in TYP;
- c. QLDC fully/independently owns the buildings;
- d. Able to realise the full capital value of freehold land.

Disadvantages:

- e. QLDC takes development risk;
 - f. Responsible for on-going building maintenance;
 - g. Does not maximise the development potential of the Site;
 - h. Unlikely integration of additional land;
 - i. Greater short term capital commitment;
 - j. Limited funding in existing TYP;
 - k. QLDC may lose control over free hold land and potential development which is generally restricted by Ngāi Tahu RFR interests;
 - l. Unlikely to be able to realise full value of Ministry of Education land without Ngāi Tahu.
- 46 Option 2: Develop the site with Ngāi Tahu – QLDC works alongside NTP under the proposed Partnering Agreement and subsequent Development Agreement(s).

Advantages:

- a. Ground lease arrangement realises freehold land value and QLDC retain ownership;
- b. Joint venture arrangement halves the cost exposure to QLDC;
- c. “Unlocks” the full development potential of the Site;
- d. Mitigates development risk for QLDC;
- e. Integrated (managed) development programme with possibility to utilise additional land;
- f. Enhances cultural relationship with the community;
- g. Community buildings (CAB) delivered first;
- h. Opportunity for QLDC to participate in commercial developments;
- i. Ability to work with a reputable and respected development partner.

Disadvantages:

- j. Long-term development commitment;
- k. QLDC ‘rents’ its buildings;
- l. QLDC owns half the facilities, not all.
- m. Perception of non-competitive process.

47 Option 3: Develop the Site with third party (other than NTP).*Advantages:*

- a. Competitive market procurement process;
- b. Potentially willing to pay an incentive for the opportunity.

Disadvantages:

- c. Potential development generally restricted by Ngāi Tahu RFR interests (including in respect of the MoE land);
- d. Unlikely integration of additional land; and
- e. Delay and uncertainty that may affect market liquidity (interest) and pricing.

48 This report recommends **Option 2** for addressing the matter because the proposed partnership arrangements with NTP enable QLDC to realise the full development potential

of the Site in the interests of QLDC and the community (with an associated material benefit to QLDC and the community), which realisation would not be possible by QLDC acting alone or with another party.

49 From a commercial point of view, Option 2 includes the following benefits:

- a. Increased land value to QLDC by way of the long-term lease over the reserve land;
- b. Additional funding for public spaces;
- c. Under 50/50 partnering model for community assets QLDC only contributes half the capital costs and half the rent;
- d. Option to participate in ancillary (commercial) developments in order to financially support delivery and/or operation of community assets over time.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

50 The primary matter for decision, which is whether to enter into the proposed Partnering Agreement, is not considered a significant decision by itself as determined by reference to the Council's Significance and Engagement Policy. This is because entering the Partnering Agreement does not commit QLDC to any specific project.

51 In addition QLDC consulted with the community as part of the TYP on the possibility of entering into an alternative funding arrangement, such as a joint venture, to deliver the CAB and associated community buildings. Therefore the possibility of a partnering approach to that development has already been the subject of community consultation. It was also considered when QLDC decided to enter into the MoU with NTP.

52 However, it does represent a significant step forward for the Queenstown Lakes Community in terms of the relationship it creates with Ngāi Tahu and the opportunity for the provision of significant community assets.

53 If the proposed Partnering Agreement proceeds then at the relevant time QLDC will need to decide whether to agree to any Development Agreements. The significance of those decisions, as well as any consultation requirements and amendments to the TYP, will need to be considered at that time. It is possible that one or more of the Development Agreements could create a new entity or Council Controlled Organisation, which may be a matter requiring specific consultation.

54 The persons who are affected by or interested in the ultimate development of this Site are the residents/ratepayers of the Queenstown Lakes District community, Te Rūnanga o Ngāi Tahu (Ngāi Tahu), the Department of Conservation, the Ministry of Education and current occupiers of the Site.

> MĀORI CONSULTATION | IWI RŪNANGA

- 55 QLDC and NTP have a responsibility to engage with a broad range of Ngāi Tahu stakeholders with respect to the proposed Partnering Agreement.
- 56 NTP has held hui with Papatipu Rūnanga with interests in the Whakatipu District - they are Oraka Aparima, Waihōpai, Awarua, Hokonui, Ōtākou, Puketeraki and Moeraki. At these hui NTP has advised of the intent to establish a partnership with QLDC regarding the future development of a cultural and community heart for Queenstown.
- 57 NTP has also ensured Te Ao Marama and Aukaha, entities who represent ngā rūnanga on Resource Management Act issues, have been briefed on the proposed site development and partnership. Rūnanga have also been briefed at the Whakatipu Accord, a forum for Whakatipu Rūnanga to support collaboration.
- 58 Ngāi Tahu rūnanga and whānui are very supportive of the intent of the partnership and the opportunity to support a Ngāi Tahu presence in the Queenstown Town Centre. NTP has also ensured that Te Rūnanga o Ngāi Tahu are fully informed of progress as the Site development presents the basis for a Public Iwi Partnership.
- 59 In recent months, NTP has further established a rūnanga cultural panel who are guiding the company on key projects in the area including potential development on the Site.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 60 This matter relates to the Strategic/Political/Reputation It is associated with RISK00044 – Failure to work effectively with Iwi and RISK00056 – Ineffective provision for the future planning and development needs of the District within the QLDC Risk Register.
- 61 The approval of the recommended option will support the Council by allowing us to transfer the risk. This shall be achieved by entering into a partnership agreement with NTP that will enable Council to deliver community facilities and buildings for the benefit of the Queenstown Lakes District in a financially responsible way. The partnership will create an enduring iwi relationship for the Council and presents an opportunity to work with a reputable and respected development partner.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 62 Under the proposed Partnering Agreement, the Council is committing funds to share with Ngai Tahu on a 50/50 basis the cost of engaging consultants to prepare the Foundation Documents. The funds required for this work are within existing budgets allocated for the development of the site.
- 63 There are no operational or capital expenditure requirements in addition to existing approved budgets as a result of this report. This matter is included in the TYP/Annual Plan with funding for planning the Site (community heart) and CAB (project connect) project budgets.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

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

- Vision Beyond 2050
- Queenstown Town Centre Masterplan
- QLDC Disability Policy
- Procurement Policy and Procurement Guidelines
- Economic Development Strategy
- QLDC Te Tiriti o Waitangi Implementation Framework
- Property Sale and Acquisition Policy

65 The recommended option is consistent with the principles set out in the named policy/policies including in particular the following vision statements from Vision Beyond 2050:

- a. Breathtaking creativity, Whakaohooho Auahataka - nurtures community arts and cultural facilities and the spirit of invention.
- b. Embracing the Maori world, Whakatinana i tea o Maori - District that honours Te Tiriti o Waitangi and champions equality for all our people.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

66 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by realising the financial and non-financial benefits of a community asset;
- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Land Exchange Proposal
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