

# Memo

To: Elias Matthee and Amy Bowbyes, Queenstown Lakes District Council  
From: Natalie Hampson (Director) and Susan Fairgray (Associate Director)  
Date: 16 May 2023  
Re: Intensification Options with the Airport Outer Control Boundary (OCB)

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## Introduction

The purpose of this memo is to provide brief commentary on the economic implications of 3 options for intensification in the Airport OCB. Specifically, to comment on implications for the existing commercial zones and how they function with the wider area. We understand that this will assist with preparation of the s32 report on the Airport OCB and determination of the preferred option.

For clarity, this memo is not based on any specific modelling of the different options in the OCB in terms of residential dwelling capacity (although this is an option for further work). The existing Dwelling Capacity Model, that has informed M.E's main plan change report, is not currently suited to modelling changes in zoning or zone provisions in the OCB. This is because the capacity model retains an overarching constraint on further development in some parcels in the OCB informed by the HBA 2021 process.

Specifically, for the HBA 2021 (and HBA 2018 that preceded it), Council took a conservative approach to exclude any additional capacity in the OCB (even where plan enabled). In order to model the three options proposed for the scope of this memo, M.E would need to make changes to the Dwelling Capacity Model to include the land parcels within the OCB as having development potential. Once changed, the model could assess dwelling capacity on those parcels in the same way as it does for other parcels (albeit that prescribed controls on certain parcels would still apply where applicable to those options). Importantly, the Dwelling Capacity Model does not include the special zones, which form part of the residential capacity of the OCB. Any changes to the Model would still not change this limitation.

Based on the current Dwelling Capacity Model, there are an estimated 581 dwelling units in PDP zones in the OCB (as at June 2021), mainly in the LDSR Zone. The BMU Zone in the OCB is currently greenfield. The LSC Zone includes a mix of older and newer development, and a large greenfield site adjacent to Hansen Road (in addition to a few smaller vacant sites).

## OCB Intensification Options

The following sets out the three options supplied to M.E as the basis of our commentary.

### Option 1 – Status Quo / Baseline

- Density
  - No change to LDSR Zone (600m<sup>2</sup> minimum lot size, with opportunity for 450m<sup>2</sup> minimum lot via land use consent pathway).
  - LSC Zone - 16, 18, 18B and 20 McBride Street – restricted up to 10 residential units in total – and 1 Hansen Road – 50% building coverage, 50 residential units total including flats.
  - BMU Zone - Rule 16.4.19 precludes any activities sensitive to aircraft noise.
- Standards:
  - LDSR Zone – *we note that the Dwelling Capacity Model is not sensitive to building height and recession plane rules in this zone for plan enabled and commercially feasible capacity (i.e., they are not a binding constraint), so these rules are not set out here.*
  - LSC Zone building height 10m and recession plane 3m + 35 degrees adjoining a residential zone.
  - BMU Zone building height 20m and recession plan 3m + 45 degrees northern boundary and 35 degrees other boundaries when adjoining/opposite residential zone.
  - Sound insulation and mechanical ventilation requirements for land within the OCB.<sup>1</sup>

### Option 2 – Provision Changes Only (bold identifies material change)

- Density - No change in rules and restrictions for LDSR, LSC and BMU Zones (as per Option 1)
- Standards:
  - LDSR Zone – *not applicable, see note above.*
  - LSC Zone - no change in building height (10m) and **recession plane 2.5m + 55 degrees adjoining a residential zone (more permissive).**
  - BMU Zone - no change building height (20m) and **recession plan 4m + 60 degrees when adjoining/opposite residential zone (more permissive).**
  - No change - Sound insulation and mechanical ventilation

### Option 3 – Changes to MDR and BMU Zones and Provisions (bold identifies material change)

- Density:
  - LDSR Zone – no change to zone provisions (but reduced area of LDSR Zone)

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<sup>1</sup> Relevant for commercial feasibility as has cost implications for construction.

- MDR Zone – (up zoned from LDSR around original LSC Zone) no airport related density controls (removed) so apply density as per MDR Zone elsewhere.
- BMU Zone – (up zoned from LSC Zone). Remove constraint on activities sensitive to aircraft noise.
- Standards:
  - LDSR Zone – *not applicable, see note above.*
  - MDR Zone – *we note that the Dwelling Capacity Model is not sensitive to building height and recession plane rules in this zone for plan enabled and commercially feasible capacity (i.e., they are not a binding constraint), so these rules are not set out here.*
  - BMU Zone – building height 16.5m<sup>2</sup> (RDA) to 20m (NC) and **recession plane 8m + 60 degrees on new MDR Zone boundary.**
  - No change - Sound insulation and mechanical ventilation

## Commentary

Council have posed a number of questions for M.E to consider and comment on. The following section sets out our synthesis of those questions. Note, while Council is interested in implications for public transport and transport infrastructure, this is not within M.E's area of expertise.

### Does Option 2 or 3 increase/deliver commercially feasibility residential development?

The intent of some of the changes in provisions in Options 2 and 3 is to 'increase commercial feasibility of residential development in the OCB'. If they do not assist in delivering commercially feasible capacity (and we assume the life of the plan is the relevant time frame), then the merit of the changes is reduced.


M.E considers that there is likely to be some increase in the feasibility of residential capacity under the proposed Options 2 and 3. The largest changes are likely to occur in Option 3, correlating with the greater level of changes to the provisions under this option (in comparison to Option 2 which are quite modest changes). This is discussed further below.

### *Effects of changes on feasibility outside the commercial zones (limited to Option 3):*

Upzoning residential areas to MDR Zone increases the potential yield on parcels, which will increase the feasibility of residential infill or redevelopment outcomes in the Frankton LSC node compared with the status quo. Further modelling, taking into account the full range of costs associated with redevelopment (including the value of existing dwelling stock), would need to be undertaken to estimate the resulting change in feasible capacity.

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<sup>2</sup> This is a change in building height relative to the LSC Zone, but is no change from the existing Frankton North BMU Zone.



*Effects of changes on feasibility inside the commercial zones (Options 2 and 3):*

Density changes (Option 3) - providing an ability to include residential units in the BMU Zone within the OCB increases the plan enabled capacity within this part of the zone. There are also likely to be some net changes in plan enabled capacity in the upzoned LSC Zone area where there were some prescribed maximum yields which we assume are removed with the zone change. Increasing plan enabled capacity generally increases the amount of commercially feasible capacity, however, the issue is whether vertically-attached apartments in the extended BMU Zone in the OCB (under the proposed height and recession plane rules of Option 3) are feasible in the medium-term.


Recession plane changes (Options 2 and increasing in Option 3) - the proposed changes to recession planes within the commercial zones are likely to increase the feasibility of residential development within the area, although to a lesser extent than the proposed upzoning of LDSR to MDR. The main effect of the proposed changes is to increase the potential floorspace on a portion of parcels located at the edge of the zone adjoining residential zones (noting through changes in recession planes, but not an increase in height), and therefore residential dwelling yield, of any constructed buildings.

*Effects of changes on feasibility outside the commercial zones relative to inside the commercial zones (Options 2 & 3):*

While the dwelling yield is a key factor in relation to feasibility (and Options 2 and 3 make a positive change in this regard), the level of market demand is likely to be a dominating factor in the short to medium-term. The modelling indicates that apartment demand in this location is not yet likely to be feasible, but will become feasible through time.

Upzoning an area to MDR Zone (Option 3) is likely to generate the largest effect on feasible capacity within the medium-term in comparison to other proposed options that increase the potential floorspace of buildings within the commercial zone (as a result of proposed relaxation of recession planes or up-zoning). The enabled dwelling typologies within the MDR Zone (e.g. terraced housing) have a lower construction cost than those within the commercial zones (e.g. vertically-attached apartments), and a more established level of market demand, meaning that in combination they are likely to become feasible development options ahead of the proposed changes within the commercial zones.

It is noted that the application of Option 3 proposals in combination (i.e. changes outside and inside the commercial zones) will have a further indirect effect on the feasibility of residential development within the commercial zones. This is likely to gradually occur over the medium to long-term through intensification around the centre increasing the viability and vitality of the centre. This will, in turn, increase the amenity provided at this location, thereby increasing the potential demand for apartments within the centre. In other words, feasible capacity is most effectively increased when nodes are intensified through changes in the surrounding residential zone at the same time as changes within the node's core (commercial zone).



Overall, from a feasibility perspective, both the modest changes of Option 2 and the more substantial changes in Option 3 can (theoretically) have a positive effect on increasing residential dwellings in the node, but intensification opportunities within the commercial zones may take time to have an effect. Upzoning LDSR Zone to MDR Zone would have the greatest effect on feasible capacity in the medium-term (i.e. is the change with the most certainty around feasibility increases).

#### How does the Frankton LSC function in relation to commercial zones in the wider Frankton Flats?

There are two commercial nodes currently established in Frankton Flats North – the LSC Zone and the Five Mile large format retail centre and adjacent Queenstown Central (which function as one contiguous shopping area containing a mix of LFR and speciality retail).

The LSC is not a typical convenience centre, but still serves a convenience role. Given that it is a centre on a key arterial route(s) and transport intersection, the Frankton LSC, unlike many of the LSC Zones, will be sustained substantially by pass-by traffic (customers), with its primary catchment of nearby households (and visitors staying in residential/commercial visitor accommodation) potentially playing the smaller role in its overall revenue.

This unique role (relative to other LSC Zones) is why the centre has attracted retail store types and other activities that would not normally be sustained in a LSC zone – for example, national chain stores like McDonalds and Burger King, two petrol stations, a bank, and some of the professional service office activity. Such businesses seek high-profile, highly accessible locations. The Frankton LSC delivers on those criteria.


The Five Mile/Queenstown Central centre is a higher order shopping centre and a shopping ‘destination’. It does not have a strong ‘convenience role’ (except for the nearby workforce), particularly as it has only a small pocket of residential land use (albeit high density) within its immediate catchment at present and therefore, the centre is very car based in terms of access.<sup>3</sup>

Currently, these two commercial nodes in Frankton North are relatively close together, but still operate and will be perceived separately. Because Five Mile/Queenstown Central is a car-based destination, many shoppers approaching from the south-west are likely to consider Frankton LSC as an accessible ‘stop’ on that same shopping trip should there be a store not represented in the larger centre. Shoppers approaching the larger centre from the north-east may also consider Frankton LSC as only a marginal additional distance to travel on the same trip if there was something provided in that smaller centre they also needed. As such, the Frankton LSC is likely to experience some spill-over benefits from visitation to the larger centre (via multi-stop shopping trips).

While the commercial areas in the larger centre are mostly developed, any further growth in the shopping centre will mean that the Frankton LSC is also likely to experience some growth in custom

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<sup>3</sup> Public transport options are also available.



(i.e. benefit from the overall busyness of Frankton North). This also applies to growth in employment areas within Frankton Flats Special Zone B which will increase the number of customers passing by the Frankton LSC on their way to/from work.

That said, the Frankton LSC is not dependent on the Five Mile/Queenstown Centre for its viability. It was established well before any other retail was developed in Frankton North and is successful in its own right because of its high-profile location at a major intersection of arterial roads. It is however fortunate that it has a range of drivers of demand which will help ensure that it continues to develop/redevelop.

In the future, when the BMU Zone in Frankton North is fully developed, all the commercial zones in Frankton North will be contiguous and form one large commercial area with a number of precincts. The LSC will be one of those precincts. Collectively all the commercial precincts/zones will create a destination with strong 'gravitational pull' (i.e. they will likely draw from the same broad Wakatipu catchment and be the largest contiguous commercial area in the district by area and employment).

#### Are Options 2 or 3 needed to reap the economic benefits of creating a critical mass around the Frankton LSC?

Firstly, it is important to acknowledge that the Frankton LSC is an established local centre and is therefore already delivering benefits to its nearby residential community and economic benefits to the wider Queenstown economy.

From the perspective of the centre, M.E does not consider that intensifying the residential area (node) surrounding the Frankton LSC Zone is necessary to support the functional and social amenity delivered by the centre, or its viability. It will continue to trade and evolve irrespective of changes in its walkable catchment. The Frankton LSC is expected to have an extensive secondary trade catchment, which may cover much of the Queenstown urban area. *Any* growth in households in its secondary catchment will therefore potentially support the centre, so long as those households drive past the Frankton LSC (as this increases the opportunity for pass-by customers). As above, Frankton LSC's future growth and potential is also linked to the wider development of the Frankton North area, particularly the commercial zones.

That said, further intensification of housing in its walkable catchment would deliver a number of additional benefits for the centre compared with the status quo. These have been discussed broadly in M.E's main economic report for the Plan Change. For convenience, we copy out the main points from that report here:

- When centres are supported by a dense catchment of residential dwellings in their primary trade area, the suitability (feasibility) of those centres to support development can increase.
- Residential intensification increases the quantum of customers/labour in close proximity to businesses in centres.

- The potential for additional households within their walkable catchment increases demand for goods and services directed to those centres (without a necessarily corresponding increase in vehicle movements within the centre). Nodal intensification around the Frankton LSC is likely to increase demand for convenience retail and service activity within the LSC Zone, and potentially could attract more core (weekly/comparison) retail<sup>4</sup> and office-based businesses than might otherwise be expected (or sustained in that location) under Status Quo residential zoning.
- Increased demand translates to increased foot traffic and vibrancy/vitality (enhanced social amenity).
- It increases the productivity of existing businesses and sustains net additional floorspace which will both reduce the number and duration of vacancies (if applicable)<sup>5</sup> and stimulate development of vacant sites (where applicable). Residential intensification around the Frankton LSC would provide relatively more investment certainty for the development of the Hansen Road site (with new businesses likely to be more sustainable through increased primary catchment household demand (in addition to pass-by traffic demand expected)).
- Better performing commercial areas can command higher rents. Increased returns to property owners facilitate capital investment in existing buildings (i.e. refurbishments and upgrades).
- Increased demand also increases the commercial feasibility of redeveloping existing buildings that are underutilising the development potential of their sites, which can increase the functional amenity of those centres.


With regard to the proposed rezoning of LSC Zone to BMU Zone (Option 3), the main report identified the following benefits:

- The LSC Zone in Frankton contains some vacant land (including but not limited to the Hansen Road site), and redevelopment potential focused south of Frankton Road. This is where the change to BMU Zone would likely be manifest in the medium-term.
- Based solely on the height increase associated with the rezoning, BMU Zone would likely make any infill development and redevelopment in the existing centre area more feasible compared with the status quo LSC Zone.
- Activity changes associated with the change from LSC Zone to BMU Zone are less significant. Overall, M.E considers that under BMU Zone, any new development or redevelopment could deliver a somewhat more diverse mix of activities compared to the status quo LSC Zone, and this may increase the functional amenity of the centre overall in the long-term.
- It is relevant that there is already an extensive area of BMU Zone (Frankton North) adjacent to the LSC Zone and rezoning the LSC Zone will extend the area of BMU Zone development capacity. However, because much of the LSC Zone land is already developed, with some

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<sup>4</sup> Noting rule 15.4.7 applies currently in the PDP.

<sup>5</sup> This is not typically an issue in QLD.



relatively new and intensive, M.E anticipates that the development around the Frankton Road roundabout (precinct) will continue to have a different character to the rest of the BMU Zone (once it develops). We consider that it is likely that it will continue to function more like a centre over the long-term than a mixed business area. Residential intensification around the existing centre would further encourage that due to the opportunities to service the convenience retail and service needs of that immediate dense residential catchment (which will influence the activity mix likely to be supplied).

- Overall, M.E considers that the change to BMU Zone in this location is likely to create a number of net additional benefits in terms of supporting further development in the centre, without compromising the ability of the locality to serve (retain) a centre role for the catchment community.

What the main report does not discuss is that the intensification around the Frankton LSC is not critical for the centre. Rather, the benefits above are consequential to including the residential intensification (with or without the BMU Zone change).


Should it be decided not to intensify the residential node around the Frankton LSC (or provide only modest changes), M.E considers that the “centre” will be fine and will continue to deliver economic benefits. The status quo option already allows up to 50 residential units in the Hansen Road LSC Zone site. A portion of the BMU Zone (Frankton North) is outside the OCB and therefore can include residential apartments. The entire BMU Zone (Frankton North) is flanked by MDR Zone or HDR Zone. The Frankton Flats B Special Zone we assume has additional capacity for residential apartments outside the OCB (i.e., similar to that already developed south of Tewa Street). The whole node between the Frankton LSC Zone (roundabout) and Glenda Drive north of the Airport runway (i.e., Frankton Flats North) is enabled for a significantly larger population/household count under the PDP (Status Quo) than we see today. Therefore, many of the benefits described above may be experienced by the Frankton LSC in any case over time (although less strongly as some of the plan enabled dwelling growth across Frankton North is not specifically concentrated around the LSC).

The other perspective for considering the economic benefits of creating a critical mass around commercial centres is from the household or community perspective. That is, the benefit of having more households living in areas of high accessibility and amenity (the efficiency of spatial interactions across and within the city as well as for infrastructure).<sup>6</sup> M.E’s main report also discusses these benefits, and they are not repeated here. There is essentially a linear relationship between the relative number of households living in nodes and along corridors and the benefits achieved from that when measured at a total urban area scale - the greater the share of households living in accessible areas, the greater the benefits. Option 3 would therefore deliver more benefits (from the community and urban form efficiency perspective) than Option 2 or the Status Quo.

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<sup>6</sup> Although there are costs of intensification also.





A choice not to intensify specifically around the Frankton LSC is an opportunity cost from that perspective, but one that needs to be weighed up against the significant economic benefits of ensuring that the Queenstown Airport (regionally significant infrastructure) can operate efficiently in the future. A choice not to intensify around this particular node (within the OCB) also needs to put into perspective of the economic benefits being delivered across the whole plan change (which are substantial if realised) and the knowledge that the centre itself is not dependent on more households in its immediate primary catchment in order to perform its function in the centre network.