

Community & Environment Committee

28 May 2026

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

Department: Community Services

Title | Taitara: New lease of The Bathhouse building within Marine Parade Park to Meteor Properties Limited

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to consider recommending to Council to grant a new lease to Meteor Properties Limited for The Bathhouse located within the Marine Parade Park recreation reserve.

Public Excluded | Ārai te Iwi Whānui

It is recommended that Attachment A to this report is considered while the public is excluded. This recommendation is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

Section and Grounds	Reason for this recommendation
7(2)(b)(ii) to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Attachment A to this report contains commercial leasing information relating to the lease and sub-lease of the property. Withholding this information is necessary to protect the commercial positions of the lessee and sub lessee. The interest identified above outweighs any public interest in releasing this information.

Recommendation | Kā Tūtohuka

That the Community & Environment Committee:

1. **Note** the contents of this report; and
2. **Recommend to Council** to grant a new lease, and exercise delegated Minister of Conservation approval, in accordance with section 54(1) of the Reserves Act 1977 to Meteor Properties Limited for The Bathhouse contained within Section 6 Block LI Town of Queenstown subject to the following terms and conditions:

Commencement	1 January 2024
Term	10 years
Renewal	One right of 10 years
Reviews	Three yearly to market

3. **Delegate** remaining lease conditions and signing authority to the General Manager Community Services.

Prepared by:



Name: Matthew Judd
Title: Parks Property Planner

6 May 2026

Endorsed by:



Name: Roger Davidson
Title: Property Director

12 May 2026

Reviewed and Authorised by:



Name: Kenneth Bailey
Title: General Manager
Community Services

13 May 2026

Context | Horopaki

Building and location

1. The Coronation Bath House is a Heritage New Zealand category 2 listed historic place. The building was first opened in 1912 as a bathing house and has served as tea rooms, an office, home to the rowing club, and now a restaurant.
2. The building is located within Section 6 Block LI Town of Queenstown, better known as Marine Parade Park. This land is classified as recreation reserve under the Reserves Act 1977 (the Act).
3. This Reserve is subject to the Queenstown Bay Foreshore Reserve Management Plan 2016. This plan notes the existence of the Bathhouse restaurant. It does not contemplate or provide for a new lease of this building.

Lease history

4. The current lease was originally granted by Queenstown Lakes District Council (QLDC) to Guy Evatt in 1997 for a term of two years with three rights of renewal for a further five years each (final expiry 31/12/2013).
5. The lease is for the land and the structure (Lessor assets) including:
 - The bathhouse building shell prior to construction (upgrade works and extension)
 - The raised structure
 - The roof of the Bathhouse
 - The access ramp
6. Upon expiry the improvements (Lessee's improvements) revert to the Lessor, with the Lessor having to pay the Lessee the value of improvements, to be assessed by valuation. Alternatively, the Lessor can require removal of the improvements.
7. Improvements refer to additions and alterations the Lessee made to the premises, namely the addition of the building wings.
8. This lease was varied in 1998 to provide a single 15-year term expiring 31/12/2013. At the same time, in 1998, a sublease was approved by QLDC to The Coronation Bathhouse Limited to operate the premises as a restaurant. Approval of the sublease by QLDC could not be "unreasonably withheld" under the deed of lease.
9. The lease was assigned to Meteor Properties Ltd (The Lessee) in 2001.

10. In 2009 the QLDC Property Sub Committee granted a 10-year lease extension giving a final expiry of 31/12/2023. The Lessee is currently 'holding over' on a monthly basis.

Current lease negotiations

11. In 2022, upon request from the Lessee, QLDC staff negotiated and agreed terms for a new 10-year head lease, with a 10 year right of renewal. Written representations from QLDC specified that they were without prejudice and approval from Council was required for the lease to be granted.

12. Following the agreement of terms, the Lessee entered into an agreement to sub lease the premises to a new sub tenant; Rose Room and Restaurant Ltd (Sub Lessee) for a term of ten years with a right of renewal of 9 years commencing 1 November 2022.

13. QLDC Staff gave verbal and written representations to the Sub Lessee that it was agreeable to them investing in the premises with regards to their fit out and similarly to the Lessee carrying out various works to the premises.

14. Leasing and charging for QLDC property is covered by the Community Facility Funding Policy 2019 (CFFP). This sits underneath the Revenue and Financing Policy in accordance with Section 102(4) (a) of the Local Government Act 2002. One of the principles of the CFFP states that "individuals and groups should not profit from the on sale or sub-letting of rights provided by the Council".

15. Subsequent to the initial negotiations, the QLDC property team attempted to better align the terms of the proposed head lease with current QLDC policies. This included reducing the initially indicated 10 year term (plus 10 year renewal) and attempting to raise the rental amount.

16. In response the sub-lessee's lawyer advised their client would seek damages from QLDC due to the previous representations which had resulted in significant investment into the property and may further result in loss of earnings for the Sub Lessee.

17. QLDC has continued to negotiate and has now come to agreement with the Lessee on the following terms for a potential new lease:

Commencement	1 January 2024
Term	10 years
Right of renewal	1 right of 10 years
Rent reviews	3 yearly to market
Area	192m ²

Insurance	Lessor insures with premiums recoverable from the lessee through the outgoings
Compensation for Lessee improvements	No compensation payable to lessee for its improvements at lease end.

Analysis and Advice | Tatāritaka me kā Tohutohu

18. The Act requires new leases on recreation reserve land to be publicly notified unless contemplated by an approved management plan. This proposed lease was publicly notified in the Mountain Scene and Otago Daily Times on the 19 and 21 of February respectively.
19. No submissions were received from the public notification.
20. Approval of a new lease requires approval from the Minister of Conservation (The Minister) in accordance with section 54 of The Act. The Minister delegated this authority to territorial authorities. Council has not further delegated this authority, accordingly a decision of full council is required to approve (or decline) this lease.
21. 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.
22. Option 1 recommend to Council to approve the new 10 plus 10 year proposed head lease to Meteor Properties

Advantages:

- Resolves a difficult outstanding tenancy negotiation.
- Provides income to QLDC.
- Provides clarity around improvements at the end of the lease.

Disadvantages:

- Doesn't align with the principles of the Community Facility Funding Policy.
- Keeps a high profile strategic asset in private occupation for 20 more years.

23. Option 2 recommend to Council to decline the new proposed head lease to Meteor Properties

Advantages:

- Aligns with the principles of the Community Facility Funding Policy.
- Doesn't commit a strategic asset to private occupation for 20 years.

Disadvantages:

- Potential legal action from the Sub Lessee and Lessee.
- Loss of income for QLDC.
- Uncertainty for the Sub Lessee.
- QLDC will be required to pay the Lessee for improvements.

23. Council has been left in a difficult situation due to the representations that have been made.

24. The lessee is likely making a healthy profit by subleasing the property right granted by Council. This is directly against the principle within the Community Facility Funding Policy.

25. Although uncommon there have been other instances where individuals or businesses have profited from property rights granted by QLDC. Typically, this is through selling a business with a long-term lease granted by QLDC. i.e. Council grants a long-term lease, which gives value to a business, the Lessee then sells the business for a profit. This could still happen in this situation.

26. The granting of this lease would effectively keep this property in private management for the next 20 years. Queenstown has been through substantial change, and it is anticipated this will continue in the future.

27. Reserve Land is categorised as a strategic asset under QLDC's Significance and Engagement Policy 2024. Marine Parade Park is one of the highest profile reserves in our district. There were 2,087,086 pedestrian movements past the Bathhouse along Marine Parade during 2025.

28. In granting long term leases Council needs to consider the length of time a tenant needs to recover their initial investment.

29. This report recommends **Option 1** for addressing the matter because the lease is permitted under the Act, it will provide income for QLDC along with certainty regarding ownership of improvements and avoid potential legal action.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

30. This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because this item involves a long term lease of strategic asset, being lakefront reserve land.
31. The persons who are affected by or interested in this matter are; the Lessee and Sub Lessee, customers of the Sub Lessees business, reserve users, other potential occupants of this property.
32. The Council has undertaken the specified public notification in accordance with section 119 of The Act.

Māori Consultation | Iwi Rūnaka

33. The Council has not specifically consulted with Iwi on this matter, following the provisions of The Act.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

34. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK10022 Ineffective operations and maintenance of community services or facilities within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.
35. The approval of the recommended option will allow Council to implement additional controls for this risk. This will be achieved by transferring this risk to the lessee.

Financial Implications | Kā Riteka ā-Pūtea

36. Agreeing to grant the lease will result in income to QLDC. Not granting the lease will likely result in legal fees being incurred by QLDC and expenditure related to the purchase of the lessee assets.

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

37. The following Council policies, strategies and bylaws were considered:
- Vision Beyond 2050: Our Strategic Framework | Queenstown Lakes District Council. Granting of the lease will assist in creating a thriving town centre.
 - Community Facility Funding Policy 2019
 - Queenstown Bay Foreshore Reserve Management Plan 2016
 - Reserves Act 1977

- The QLDC Disability Policy 2018

38. The recommended option is inconsistent with one of the principles in the Community Facility Funding Policy, *“Individuals and groups should not profit from the on-sale or sub-letting of rights provided by the Council”*
39. The current lease arrangements and sub lease agreement appear to enable the Lessee, Meteor Properties Ltd, to profit from the granting of this lease by QLDC.
40. The Community Facility Funding Policy 2019 is being reviewed this year and will possibly see significant changes. However, the principle of not profiting from something granted by Council is still valid and unlikely to change.
41. This matter is included in the Long Term Plan and Annual Plan as this is a lease of a council property, the income will be budgeted in QLDC plans.

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

42. In granting a lease over recreation reserve, QLDC as administering body, must follow the prescribed process within The Act. This includes public notification and a decision from the Minister (delegated to full Council).
43. Legal advice has been provided relating to this matter attached at attachment A.

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

44. 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. This item is bringing a decision to elected members providing for economic benefit to the community via rental income. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.
45. The recommended option:
- Can be implemented through current funding under the Long Term Plan and Annual Plan;
 - Would not significantly alter 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.

As noted earlier, this item is inconsistent with one of the principles within the Community Facility Funding Policy.

Attachments | Kā Tāpirihaka

A	Public Excluded – Legal Memo outlining commercial terms
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