

**BEFORE THE HEARINGS PANEL
FOR THE QUEENSTOWN LAKES PROPOSED DISTRICT PLAN**

IN THE MATTER of the Resource
Management Act 1991

AND

IN THE MATTER of Hearing Stream 1B -
Strategic Direction and
Urban Development

**STATEMENT OF EVIDENCE OF PHILIP JAMES MCDERMOTT
ON BEHALF OF QUEENSTOWN LAKES DISTRICT COUNCIL**

CENTRES STRATEGY

19 FEBRUARY 2016

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1. INTRODUCTION

- 1.1** My name is Philip James McDermott. I have 33 years' experience as a consultant in urban, transport, sector, business, and community planning. I have worked on these matters throughout New Zealand. I have also worked in Australia, Asia, and the Pacific, mainly on transport and development matters. I have practised as an independent consultant in development and planning based in Auckland since July 2004.
- 1.2** Between 1977 and 1993 I founded and was a principal of consulting firm McDermott Miller Group, later McDermott Fairgray Group, and market research company Forsyte Research. From 1994 to 2000 I was Professor and Head of the School of Resource and Environmental Planning at Massey University. From 2000 to 2004 I was General Manager of Sydney-based consulting and specialist publishing company, the Centre for Pacific Asia Aviation. I still work with the Centre from time to time.
- 1.3** I hold a Masters degree from the University of Auckland and a PhD from Cambridge University. I belong to the New Zealand Planning Institute and am a Fellow of the Chartered Institute of Logistics and Transport in New Zealand.
- 1.4** I have been engaged by the Queenstown Lakes District Council (**QLDC**) to provide evidence in relation to centres development matters for the Introduction and Strategy Hearing for the Proposed District Plan (**PDP**).
- 1.5** In November 2013 I was asked to peer review the report *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy* prepared for QLDC by McDermott Miller Strategies dated 15 November 2013 (**MMS Report**)¹. My peer review of the MMS Report is attached in **Appendix A**.² In September 2014 I prepared a report for the Council on the need for additional commercial land adjacent to the town centre in the area now subject to Plan Change 50 (**PC50**).³ The September 2014 report is attached in **Appendix B**. I presented the findings of that work in a statement of evidence to the Council Hearing for PC50. I recently prepared further evidence on

¹ The MMS Report is referenced (and a link is provided) on page 31 of the Strategic Direction section 32 report.

² And is also referenced (and a link provided) on page 31 of the Strategic Direction section 32 report.

³ *The Case for Zoning Additional Commercial Space in Queenstown Town Centre* (September 2014)

PC50 for the forthcoming Environment Court Hearing. I have drawn on this material in the preparation of this Statement.

1.6 I am familiar with the commercial centres and settlements in Queenstown Lakes District (**District**) both as a visitor and through occasional consulting assignments.

1.7 I confirm that I have read the Code of Conduct for Expert Witnesses contained in Environment Court Practice Note 2014 and that I agree to comply with it. I confirm that I have considered all the material facts that I am aware of that might alter or detract from the opinions that I express, and that this evidence is within my area of expertise, except where I state that I am relying on the evidence of another person.

2. EXECUTIVE SUMMARY

2.1 The key findings from my evidence are that:

- (a) Although the functions of the main retail and commercial centres overlap through meeting the retail and service needs of local communities, they also serve different and distinctive roles within the main towns (Queenstown and Wanaka) and across the District.
- (b) Recognising and supporting these roles in the planning provisions made for their development is an appropriate method of pursuing the goal of developing "*a prosperous, resilient, and equitable economy*", particularly with respect to the important role tourism plays in the District economy and its significance to the New Zealand tourism industry.
- (c) The town centres of Wanaka and Queenstown are distinguished by the role they play in the visitor sector, both as destinations in their own right and in catering for visitors when they are there. The latter encompasses hospitality (cafes, restaurants, and bars), galleries, craft and souvenir shops, and shops catering for individuals. These include convenience stores, jewellers, clothing and accessories, pharmacies, gift shops and the like.

- (d) A large share of the District's visitor accommodation is located in or close to these two centres. Both are central to the growth of district, regional, and national tourism, Queenstown town centre in particular. Ensuring that they have capacity for further, quality development is a key to the continuing growth of the District economy as well as important to the New Zealand tourist sector. Objective 3.2.1.1 recognises and makes provision for these roles. This will be reinforced in the case of Queenstown by proposed Plan Change 50 which provides for additional capacity for accommodation and tourism activity adjacent to and immediately north of the town centre.
- (e) The other major business areas of Queenstown and Wanaka house a mix of industrial activities and services and retailing. In the case of Queenstown, Frankton Flats provides more than adequate mixed use capacity as a result of a number of past plan changes reflected in the emergence of several nodes of commercial activity in the wider area. In both Frankton and the Ballantyne Rd area of Wanaka, industrial activities include manufacturing (including engineering, joinery, concrete and pipes), automotive and other maintenance services, transport, storage, and warehousing, and builders' contractors' yards.
- (f) Many of the activities in Frankton Flats and Ballantyne Rd are directed towards either residential building or household demands. They include some business services (law, real estate, finance, and repair services for example), medical and health services, education and training, arts and culture, and recreational services.
- (g) In Frankton, they also include retailing, especially of goods directed towards household needs, usually occupying large format stores. These include supermarkets, electrical and electronic goods, homewares, furnishings, hardware and garden supplies, and the like. In the Remarkables Park Town Centre they are supplemented with cafes, restaurants and a bar, personal and health services.
- (h) With the continuation of recent rapid population growth it is important that these varied functions can continue to develop. Objective 3.2.1.2 recognises the distinctive mixed use role of the Frankton area, and

the need for a planning framework which will contribute to its integrated development.

- (i) Objective 3.2.1.3 recognises and provides for other retail and commercial areas in the District. The Ballantyne Rd mixed use area in Wanaka provides for a range of industrial and commercial uses, many related to the rapid population and growth of the area, given the commitment of the town centre to visitor activities. The centre of Arrowtown is similarly committed to the visitor sector. As the population in and around these towns grow, so it is important that the needs of local residents and visitors can be accommodated.
- (j) Objective 3.2.1.5 relates more to industrial land use and the concerns by MartinJenkins Ltd⁴ that knowledge-based manufacturing should be encouraged to help diversify and add value to the economy.
- (k) The objectives and policies underlying the PDP largely recognise and accommodate issues (a) to (j) above. They recognise the specialised nature of the main centres and the different roles they serve. They provide for mixed uses and flexibility, while protecting the quality and capacity of the "visitor-based centres". They acknowledge the particular opportunities for and needs of industrial investment, while distinguishing between the broader commercial and light industrial categories that are creating a significant regional employment, retailing, and light industrial centre in Frankton. They also recognise and provide for townships to accommodate a basic level of local retailing and services over and above those associated with tourism.

3. THE GOAL FOR RETAIL AND BUSINESS CENTRES

3.1 Objectives and policies relating to retail and business centres follow primarily from the Goal 3.2.1: "***Develop a prosperous, resilient, and equitable economy***". Several objectives and policies intended to achieve that goal deal with the role and development of the retail and business centres in the District.

3.2 In my peer review (November 2013) of the *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy* I endorsed the MMS

⁴ MartinJenkins (August 2014) *Economic Development Strategy Consultation Report*, Queenstown Lakes District Council (**MartinJenkins EDS Report**).

findings but suggested that the recommended response to the oversupply of land identified – "*managing the District's centres on the basis of a hierarchical policy*" – could be modified to a centres-based policy. This would "*treat each centre on its own merits with respect to its current and possible future functions*". In my opinion the strategic approach in Chapter 3 does this.

4. STRATEGIC FUNCTION OF RETAIL AND BUSINESS CENTRES

4.1 In this section I address the objectives through which Goal 3.2 is to be pursued. I note that I am referring to the Revised Chapter attached to Mr Paetz' evidence in Appendix A.

Objective 3.2.1.1: The Roles of Wanaka and Queenstown town centres

4.2 Objective 3.2.1.1 seeks to consolidate the roles of Wanaka and Queenstown town centres "*as the hubs of New Zealand's premier alpine resorts and the District's economy*". It is supported by policies intended to:

- (a) "*enable[s] quality development and enhancement of the centres as the key commercial, civic and cultural hubs of the District, building on their existing functions and strengths*" (3.2.1.1.1);
- (b) Avoid commercial rezoning that could undermine Queenstown and Wanaka town centres "*as the primary focus for the District's economic activity*" (3.2.1.1.2); and
- (c) "*Promote growth in the visitor industry and encourage investment in lifting the scope and quality of attractions, facilities and services*" within them (3.2.1.1.3).

4.3 Through these policies Objective 3.2.1.1 supports and promotes the distinctive roles the town centres play, with the focus on promoting the centres to cater for and promote the visitor industry. The first and third policies commit to adequate and appropriate land to enable investment of the sort that will increase the economic contribution of tourism. This is also consistent with the new policy 3.2.1.4 which acknowledges explicitly and aims to increase the socio-economic benefits of tourism.

- 4.4** I prepared a report for QLDC on *The Case for Zoning Additional Commercial Space in Queenstown Town Centre* (September 2014). This is attached as **Appendix B** to this evidence. Based on the analysis, the expansion of capacity for mixed use activity to the north of the existing town centre proposed by PC50 appears to be a logical way of fulfilling the commitment to economic development in the PDP. It will reinforce the QTC as the centre of tourism by lifting its capacity for tourism activity as well permanent residential development. Plan Change 50 is currently before the Environment Court.
- 4.5** The Operative District Plan (**ODP**) distinguishes the roles of the central business areas of Queenstown and Wanaka from other QLDC centres such as Frankton. For the September 2014 report I focused on the differences between the Queenstown Town Centre and Frankton, the latter as a single, if somewhat dispersed, centre. Based on trends in employment, population, and building consents I described the different functions each centre fulfils. Frankton is the focus of light industry and is developing as a shopping destination with an emphasis on services and goods for households, the latter in large part through large format stores.
- 4.6** I elaborate on the roles of the Queenstown and Wanaka central business areas below.

Queenstown

- 4.7** Despite identifying a district-wide oversupply of commercial land attributable to the cumulative effects of a series of Plan Changes (PC16, PC19 and PC34) in the Frankton area, the MMS Report⁵ recommended expanding Queenstown Town Centre⁶. This recommendation was based on the Town Centre's importance to the future of Queenstown and as a leading visitor destination in New Zealand. I agree with that recommendation, which was echoed in the subsequent MartinJenkins EDS Report and endorsed in submissions on the proposed strategy.⁷
- 4.8** The MMS and MartinJenkins EDS reports establish that the continuing growth and development of tourism is the key to a prosperous Queenstown economy. PC50 contributes to that goal insofar as it provides for additional visitor

⁵ Pages 3, 32, 33.

⁶ Pages 72, 80, 93.

⁷ MartinJenkins (August 2014) *Economic Development Strategy Consultation Report*, Queenstown Lakes District Council; QLDC (2014) *Submissions on Queenstown Lakes District Council Draft Economic Development Strategy*.

facilities adjacent to the existing Queenstown Town Centre. This enables a distinctive pattern of investment to be continued whereby the bulk of Queenstown's accommodation is found on sites a short, generally-walkable distance from the town centre while enjoying lake or mountain views. PC50 allows for investment in short-term (hotel and hostel) accommodation following almost ten years during which no new accommodation of note has been developed. It also provides for other visitor-oriented amenities (a hot pool complex and convention centre are proposed).

4.9 The Town Centre already dominates retailing, business, and administrative services in Queenstown. Here, retailing is more oriented to the sale of goods and services to individuals (clothing, pharmaceuticals, sporting goods, and the like) than it is in Frankton. A strong feature is the concentration of tourism-oriented shops and services. These include cafes and restaurants, specialist retailing (souvenirs, galleries, specialist clothing), and booking and transport operations for visitor attractions.

4.10 My statement of evidence prepared for the forthcoming Environment Court Hearing into PC50 updates the 2014 report. I note that 14% employment growth from 2013 to 2015 has reinforced differences between Frankton and central Queenstown (taken to include Queenstown Hill and Queenstown Bay Census Area Units). The rate of growth was higher in Frankton (23%) but central Queenstown (at 12% growth) recorded substantially more new jobs. Broadly defined consumer services (retailing, arts, culture and recreation services, accommodation and catering) contributed around 63% of central Queenstown's growth, but only 21% in Frankton where industrial activities (manufacturing, distribution and construction) accounted for 25% of growth.

4.11 Based on the above evidence there are clear functional differences between central Queenstown and Frankton which justify distinctive and independent policies in the PDP, particularly those that will support the Queenstown Town Centre's role as a destination catering for an increasing number of visitors.

Wanaka

4.12 The MMS Report indicated that of 64,500sqm of commercial floorspace in the Wanaka Town Centre, 10,300sqm was in retailing and 15,300sqm in visitor accommodation, indicating the role that the visitor sector plays. Another

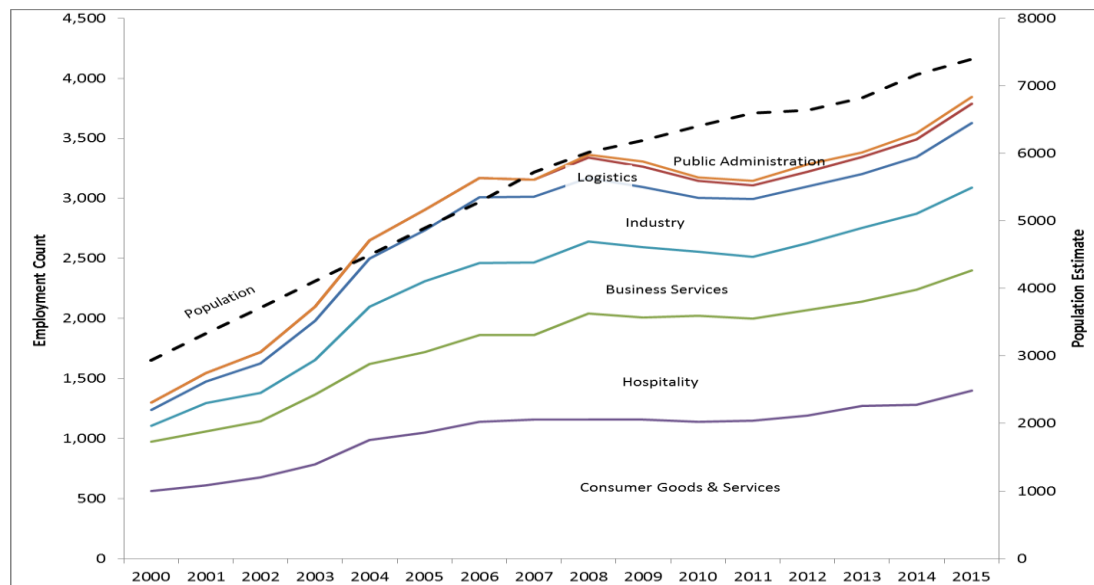
22,200sqm of commercial floorspace was identified elsewhere in the Wanaka Ward, including 1,400sqm proposed for the Three Parks precinct on the edge of the existing light industry area on Ballantyne and Gordon roads, and 4,300sqm at Wanaka Airport (MMS, Table 3.1, p.31).

4.13 There was only 1.8sqm of retail floorspace per head in the Wanaka Ward, compared with 3.2sqm/head in the Queenstown-Wakatipu Ward (based on the 2013 population figures and MMS estimates of retailing floorspace). The difference may be accounted for by:

- (a) visitor mix, with Queenstown attracting a large number of international visitors and Wanaka still heavily dependent on the domestic market with its generally lower spending profile;
- (b) relatively lower incomes among Wanaka residents given a higher proportion of retirees among resident households; and
- (c) leakage of spending to the larger, more diverse retailing centres of Queenstown.

4.14 The population of Wanaka has grown rapidly since 2000 (see **Figure 1** below). This growth has accelerated, averaging 3.8% per year from 2006 to 2013 (+2,110 people, or 40%). This compares with Queenstown's 2.3% (+2,630 people, excluding Lake Hayes South Census Area Unit).

Figure 1: Population and Employment Growth, Wanaka 2000-2015



Note: 2000 population extrapolated from Census Data; 2002-2004 population interpolated;
 Source: Statistics New Zealand Census 2013; Business Demographic Data

4.15 Population growth is reflected in the substantial expansion of employment in consumer and household-related activities generally in Wanaka (Figure 1). However, much of this was accounted for by accommodation, education, and health services and very little by retailing. Retail employment grew by just 8% between 2006 and 2015. This contrasts with accommodation, which grew by 39%. Jointly, local population gains and tourism growth are supporting a strong expansion of the local economy as measured by employment activity.

4.16 This is confirmed by tourism data. Over the four years to December 2015 guest nights at Wanaka increased by 4.8% per annum (15% in total), ahead of the national rate (but below Queenstown’s 8.4%). These figures reinforce the MMS Report recommendation that the Wanaka Town Centre should be developed as a district centre (serving a rapidly expanding population base) with a very strong focus on rapidly expanding tourism activity (p.75). Objective 3.2.1.1 should at least enable if not promote such development.

Table 1: Annual Guest Nights, Wanaka and Queenstown

	Guest Nights				Annual Change	
	2012	2013	2014	2015	2012-15	2014-15
Wanaka	644,255	645,989	658,520	743,295	4.9%	12.9%
Queenstown	2,543,499	2,756,150	3,043,272	3,238,800	8.4%	6.4%
New Zealand	31,478,030	32,709,659	34,610,968	36,257,894	4.8%	4.8%

Source: Commercial Accommodation Monitor, Statistics New Zealand

4.17 Perhaps even more than in the case of Queenstown, the smaller centre of Wanaka is dominated by the hospitality sector, accommodation, restaurants, cafes, and bars, with several booking and tour centres. What little retailing there is includes high end and specialty clothing and sports goods, a pharmacy, and a single convenience store. Visitor-focused activities look set to continue to dominate what capacity remains in the centre, leaving local retailing confined to primarily residential areas, supplemented by a small amount of large format, yard-based, and recreational sales directly to the public from large format stores in the industrial area.

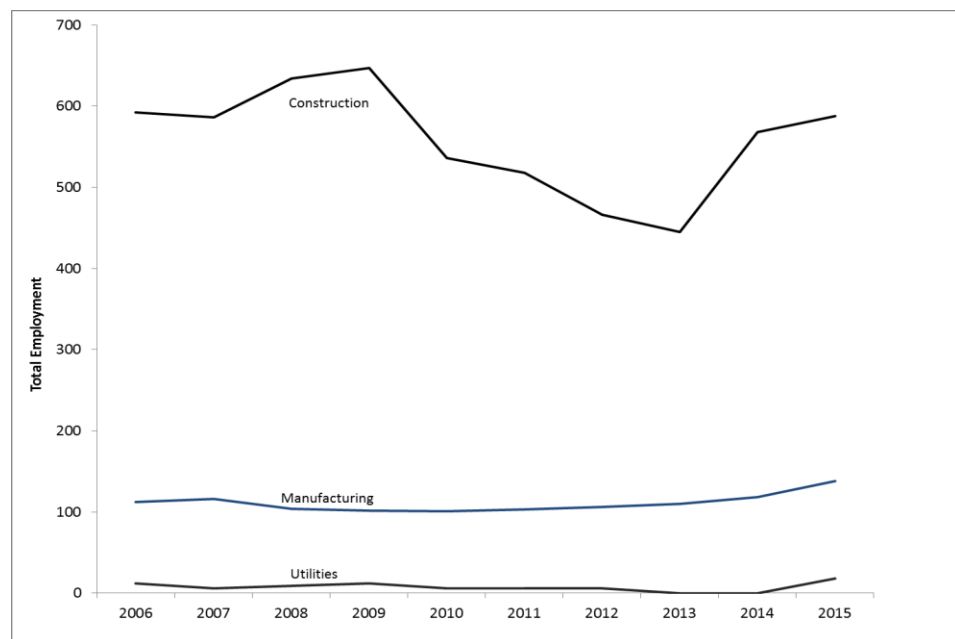
Objective 3.2.1.2: Integrated development of Frankton commercial area

4.18 Objective 3.2.1.2 seeks to recognise and develop the areas of integrated mixed use in Frankton and support it across the area comprising Remarkables Park, Queenstown Airport, and Five Mile. This is to be pursued by:

- (a) providing a planning framework to facilitate the integrated development of the various nodes in the area (3.2.1.2.1);
- (b) recognising and providing for the complementary functions of the nodes (3.2.1.2.2); and
- (c) avoiding additional “commercial rezoning that may undermine the function and viability” of the area or the integration of the nodes within it (3.2.1.2.3).

4.19 As described above, the Frankton area contains a range of light manufacturing and workshop-based services, and building supplies and builders’ yards. Much of the manufacturing activity comprises joinery, engineering, and assembly operations, particularly activities supporting the strong building sector in the region. Builders’ and contractors’ yards are important, while Frankton also dominates distribution – transport, storage, and warehousing — in QLDC (see **Figure 2** below).

Figure 2: Industrial Activity in Frankton, 2006-2015



Source: Business Demographics, Statistics New Zealand

4.20 Frankton is expanding to serve a growing district population in both these industrial activities and in retailing and services to households. While the Queenstown Town Centre continues to dominate retail employment, Frankton accounts for the bulk of new retail floorspace since 2010, catering in particular for large format stores. This is illustrated by the fact that 36,300sqm of retail store and supermarkets was consented in Frankton over the five years to 2015

at an average of 1,300sqm in Frankton, compared with just 1,810sqm in central Queenstown at an average of 300sqm per store.

- 4.21** The role of Frankton and uptake of capacity there appears to be aligned with the growth of the local population and economic activity. This has supported strong growth in the food retailing and supermarket sector, personal and convenience goods. Shotover South Census Area Unit, for example, has grown more than three-fold since 2006, to 2,080 people, and continues to expand. Frankton also serves Queenstown and the wider District for which it is the centre of building capacity and supplies as well as durable household goods, hardware and gardening supplies. The area can be expected to continue to expand to meet growing local demand for the foreseeable future.
- 4.22** While the over-supply of business land in Frankton has been considered a potential issue, maintenance of adequate capacity to cater for growth and to ensure start-up and relocating businesses can find suitable premises requires that generous capacity for mixed commercial and light industrial uses continues to be available or easily brought to market as demand dictates. There is no reason why this should be at the cost of large format or warehouse and department stores which are a common component of large suburban and regional mixed use and retail centres.

Objective 3.2.1.3: Other commercial and industrial areas

- 4.23** Objective 3.2.1.3 addresses the development of the key commercial and industrial areas outside the Queenstown and Wanaka central business areas and Frankton with policies to:
- (a) avoid rezoning that would undermine their local service and employment roles (3.2.1.3.1);
 - (b) support township commercial precincts and local shopping centres serving local needs (3.2.1.3.2); and
 - (c) avoid non-industrial activities in industrial zones (3.2.1.3.3).
- 4.24** This is discussed in the following paragraphs with particular regard to Wanaka and Arrowtown.

Wanaka

- 4.25** With a combination of expanding demand for land for specialised retailing, hospitality, and accommodation around the Wanaka Town Centre and recent rapid residential growth likely to continue it is important to provide sufficient capacity outside the centre to:
- (a) absorb much of the growth in the labour force that results from population growth;
 - (b) provide for increasing household demand for goods and services; and
 - (c) provide space for construction and civil engineering yards and businesses in the medium term and for a greater variety of manufacturing and services in the future.
- 4.26** The MMS Report indicated that around 20ha was committed to future retail development in Wanaka and 39ha to other forms of commercial development (p.35). The authors concluded that this exceeds expectations for what might be supported by spending growth to 2031.
- 4.27** The key is to recognise and accommodate the different needs of different activities, however, with not all land suitable for all activities. This means a simple equation based on the difference between absolute supply and forecast demand can be treated as a guideline but not as a definitive projection of the need for land.
- 4.28** Such a projection depends in part on the rate of population growth, which is highly uncertain beyond around five years out, and whether there will be any changes in attitude towards investing in Wanaka associated with the current round of tourism growth. The willingness to invest will in turn be influenced by whether or not a critical mass is reached in terms of local demand. It will also depend on whether the depth of the local labour force and the mix of skills will be sufficient. Continued strong growth will impact on these conditions and may see acceleration in demand for mixed use business land.

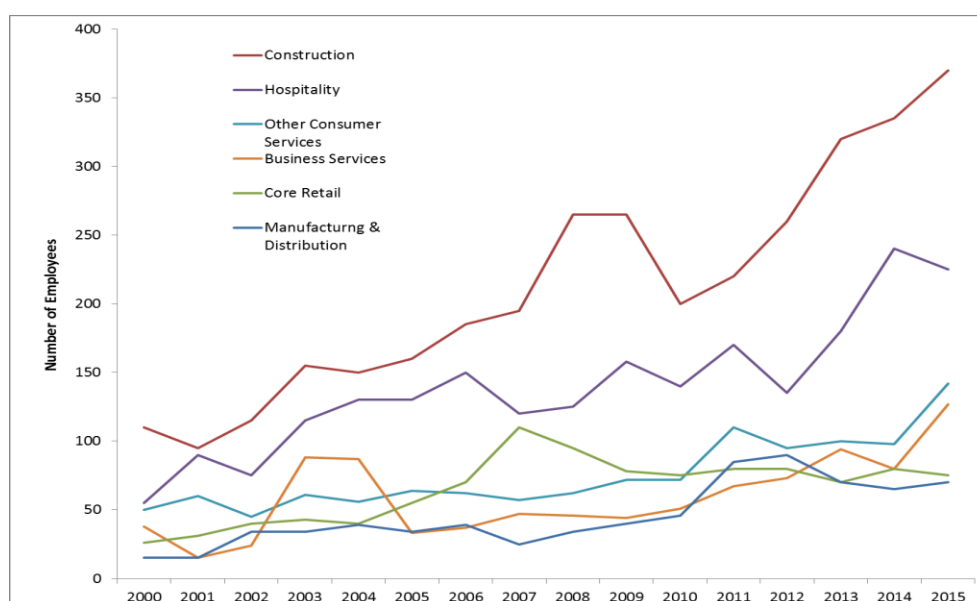
4.29 Again, it can be argued that sufficient commercial land should be provided to encourage investors to act by basing or expanding operations in Wanaka as market conditions allow, and that this should allow for the range of mixed uses evident in Frankton and already in Wanaka (in the Ballantyne Rd area).

Arrowtown

4.30 Compared with Wanaka and Queenstown, population growth in Arrowtown has been modest but nevertheless significant with a 20% gain between 2006 and 2015 (450 people). Employment growth appears to have matched total population growth, with close to 470 new jobs over the period, suggesting substantial increases in participation and some inward commuting from surrounding areas.

4.31 Building led the way with 180 jobs gained (a 100% gain). Hospitality services (accommodation, catering) gained 90 jobs (50% up). Interestingly there was no gain in retailing (Figure 3).

Figure 3: Employment Growth in Arrowtown, 2006-2015



Source: Business Demographics, Statistics New Zealand

4.32 Arrowtown contains mainly small scale retailing. It offers one convenience store in the centre and a modest suburban supermarket in the residential area but little by way of household or personal goods. The implication is that the majority of household expenditure occurs in Queenstown, and most likely is concentrated in Frankton. The centre of town is dominated by hospitality

alongside a small number retailers also oriented predominantly to tourists (including specialist clothing, art and souvenir shops).

4.33 The questions arise as to whether the local population justifies a greater range of local retail opportunities and how – and where - this might be provided for without adversely affecting the character of the centre of town.

4.34 Clearly growth is widespread throughout the District although Queenstown and Wanaka will continue to dominate. Growth elsewhere is likely to support modest local retail growth in the small townships to the benefit of local households. In providing for this the framework will be able to address how much demand for goods and services outside Queenstown might be moderated by the level of capacity provided within Frankton and central Queenstown, the areas that will jointly continue to dominate district demand for household and personal goods and services.

Objective 3.2.1.5: Diversification of the economic base

4.35 Objective 3.2.1.5 seeks to "*enable the development of innovative and sustainable enterprises that contribute to the diversification of the District's economic base*" and employment. Two policies support this objective:

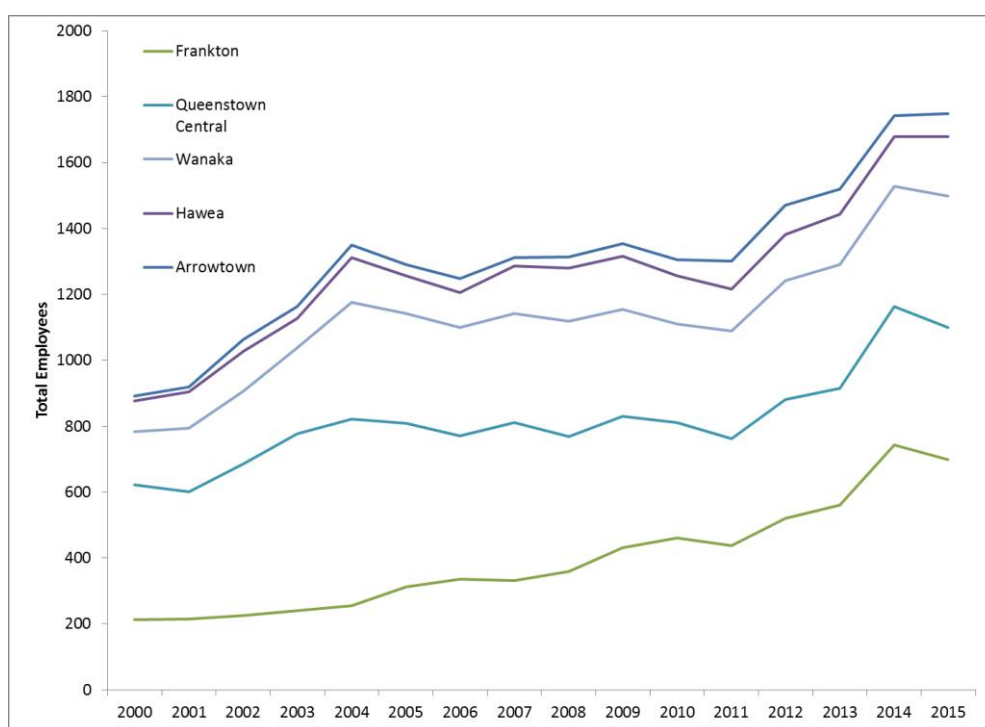
- (a) providing for a wide variety of activities and the capacity within commercially zoned land to support their growth (3.2.1.5.1); and
- (b) encouraging economic activity to adapt and respond to "*opportunities and risks associated with climate change and energy and fuel pressures*" (3.2.1.5.2).

4.36 This objective in part reflects the economic strategy developed in the MartinJenkins EDS Report. While acknowledging the dominance of tourism, the report espoused the need for greater diversity and innovation across a range of industries, focusing on the promotion of knowledge-based industries, to reduce vulnerability to one industry (tourism) and to lift local value added.

4.37 On more straightforward grounds, the population growth Queenstown, Wanaka and the Lake Hayes area are experiencing justifies provision of sufficient business land to cater for the light industrial services, construction, and associated industrial activities and distribution facilities required to cater for local demand.

4.38 Total employment figures indicate a significant boost in employment in the industrial sector defined in this way late in the period 2000-2015 (**Figure 4**). Growth was driven by Frankton, which more than offset slow growth elsewhere. Production activities are clearly concentrating there. This concentration should offer significant advantages in terms of enhancing both purchase and sales opportunities for local firms and their customers and developing a relatively skilled and experienced industrial labour force sufficient to support increasingly sophisticated activity.

Figure 4: Growth in Industrial Employment, 2000-2015

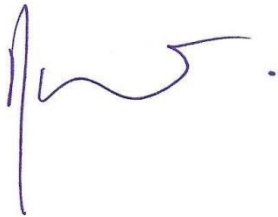


4.39 Given the generally widespread nature of population growth in the District, provision needs to be directed at other significant centres of population or economic activity also. While not likely to undermine the development of Frankton, ideally adequate capacity will be provided for such activities as local maintenance and repair services, manufacturing associated with land development and construction, and local distribution.

5. CONCLUSIONS

- 5.1** There are limits to what the Council can achieve by way of policies in the PDP to achieve the goal of developing a "*prosperous, resilient, and equitable economy*". One means is to ensure that the methods adopted in the PDP do not unduly raise costs which might discourage investment. This may occur if, for example, insufficient land is made available; if the land is in the wrong location; if it is unsuitable for the sort of development that might otherwise occupy it; if infrastructure and services are absent, under-capacity, lack resilience and flexibility, or are over-priced; or if the land is poorly connected with key nodes in the economy, including transport nodes.
- 5.2** In my view the land zoned for commerce and industry is well placed and, subject to approval of PC50, is sufficient to meet the needs of a growing tourist sector and increasing permanent population in the District for the foreseeable future. The recognition of the difference in roles between the two Town Centres and the broadly-based mixed commercial and industrial areas of Frankton and Ballantyne Rd enables the PDP to provide for the former (visitors) as the primary driver of economic growth and provide for the more diverse needs of the latter (the residents). There is also the prospect of more diverse "entrepreneurial" growth, perhaps in knowledge based industries, providing for greater economic diversity as the District expands.
- 5.3** The PDP also addresses the quality of development. Some control over what might locate in the different places recognises qualitative differences in the broadly differentiated land uses (tourism-oriented town centres, residential-oriented mixed use, and more specialised industrial areas) and their particular development prospects and requirements. Given the appropriate provision of land this will increase the prospects for investment, either encouraging it in absolute terms or bringing it forward.

- 5.4** Quality can be achieved through the design of key infrastructure components (particularly roads and road reserves), provisions for recreational reserves, the quality of landscaping and built form, and ease of movement within an area. It is also important for efficient investment that incompatibility among uses is avoided as far as possible.

A handwritten signature in blue ink, appearing to read 'P. McDermott', with a vertical line to its right.

Philip James McDermott

19 February 2016

APPENDIX A

Peer Review: Review of Queenstown-Lakes District Plan Business Zones Capacity and Development of Zoning Hierarchy (McDermott Miller Strategies Ltd in Association with Allan Planning & Research Ltd), McDermott Consultants report to Queenstown Lakes District Council

January 2014

Peer Review:

Review of Queenstown-Lakes District Plan Business Zones Capacity and Development of Zoning Hierarchy

McDermott Miller Strategies Ltd in Association with Allan
Planning & Research Ltd

Prepared by
McDermott Consultants Ltd



Auckland

31 January 2014

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Executive Summary

Purpose

This review is intended to ensure that the McDermott Miller Ltd (MML) report prepared in association with Allan Planning and Research Ltd on *Business Zones Capacity and Development of a Zoning Hierarchy* provides the Queenstown Lakes District Council (QLDC) has a robust and defensible economic foundation on which to build the strategic direction of the reviewed district plan.¹ It considers each section of the MML report in turn, summarising and discussing the key points and providing an independent appraisal of the content and conclusions reached (Section 2). It also provides an overview of the approach adopted, the methods used and assumptions made, the conclusions and policy recommendations (Section 3).

Principle Conclusions

It is concluded that the MML business zones report provides a sound evidential basis for the development of council policy with respect to the spatial development of settlements and centres within Queenstown-Lakes District.

The approach adopted and methods used comply with good practice in terms of projecting possible future demands for retail and non-retail commercial land. The economic model is appropriate for the use it is put to. The underlying assumptions are consistent with those used in similar studies.

The introduction of tourism-driven economic growth scenarios avoids reliance on the uncritical adoption of cohort based population extrapolation sourced from Statistics New Zealand without consideration of the economic factors driving labour demand and future migration prospects. The range of outcomes projected demonstrates that the amount of commercial land available or planned in Frankton is excessive even under optimistic assumptions, and would be required only if the rate of growth of tourism increases substantially above historic levels. Only under the least likely scenario – with the rate of international tourism night growth tripling and tourist spending per day jumping by 25% – is it possible that development of the pool of vacant and proposed commercial land might be justified.

While they have not been the focus of this review, the conclusions reached for the role and prospects for Wanaka appear reasonable and uncontentious. The results provide a reasonable framework for managing the demands that will be made on commercial land and their potential effects on the town centre.

The major challenges for Queenstown are identified and the alignment of spatial planning with the town's economic prospects and its current and future dependence on tourism are well drawn out.

Policy Options

Considerable weight is given to adopting a retail hierarchy as a planning method to manage future plan change initiatives and place the development focus back on Queenstown town centre.

A more flexible centres-based policy might treat each centre on its own merits with respect to its current and possible future functions. This would highlight the district-wide role played by Queenstown town centre and its national significance as the heart of the alpine and adventure tourism product in New Zealand. It would acknowledge the functional differences between the

¹ The information in this report is presented in good faith using the best information available to us at the time of preparation. It is provided on the basis that McDermott Consultants Ltd and its associates are not liable to any person or organisation for any damage or loss which may occur in relation to that person or organisation taking or not taking action (as the case may be) in respect of any statement, information, or advice conveyed within this report.

centre and Frankton and provide grounds for facilitating the expansion and intensification of the former so that it can continue to fulfil its role.

Under this approach, the prospect and consequences of over-supply of commercial land in Frankton would be dealt with through the environmental and building standards applied there, through the sequencing of infrastructure and service development, and through measures to maintain (or lift) the quality of the built environment and to avoid or mitigate the risk of reverse sensitivities and conflict in a mixed-use area. For this reason, a master planning approach across the various land use components and parcels of Frankton may be called for.

Such a modification would require only minor changes to the policies contained in the draft Centres Chapter proposed for the District Plan review

Towards an Integrated District Development Strategy

The analysis of commercial land provisions and expectations and the linking of future demand to the future of the tourism industry by the MML report provide a focus for strategy development and the grounds for the proposed Centres Chapter. However, this contributes to only one of the inter-related planning challenges facing the council. It is important to how the centres are treated and to the development of the district as a whole that other issues, including the capacity for housing, employment, and visitor facilities, for example, are captured in a coherent development framework for Queenstown.

The parameters for these land uses, for the redevelopment of the centre, and for district plan provisions for development throughout Queenstown might best be determined through a strategy expressed physically in the form of a spatial plan. This would align the development of infrastructure and services with land use arrangements, including but not limited to the current and future roles of individual centres.

1 Peer Review Purpose and Method

1.1 Objective

This review of the draft *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy*² (“the business zones review”) was commissioned by Queenstown-Lakes District Council (QLDC). The aim was “to ensure that the Council has a robust and defensible economic foundation on which to build the strategic direction of the District Plan.”

The requirement was to assess the data, methods, and analysis used by McDermott Miller Ltd in association with Allan Planning and Research Ltd (MML) and in doing so to challenge, if appropriate, the thinking underlying the review. An iterative approach was required to the extent that as questions or issues were identified they were conveyed to the authors and in most cases resolved to the satisfaction of report authors and the reviewer³.

1.2 Approach to the Peer Review

A peer review is an independent assessment of a piece of work, and is limited by the same issues that constrain the scope of that work. These include terms of reference, timeframe, and budget (and therefore resources brought to bear). Terms of reference restrict the issues the original commission can consider to those the client deems most significant at the time of commissioning. The timeframe determines the information available to inform analysis and may limit the capacity to access some information. All these matters need to be recognised in a peer review.

However, such constraints should not justify inappropriate conclusions. While an obvious objective of a peer review is to ensure that the work has been undertaken to an appropriate standard another may be to determine whether the conclusions are reasonable regardless of any issues that might arise with respect to how it was executed.

The approach to this peer review has been to:

1. Evaluate the overall approach,
2. Assess individual methods of analysis,
3. Appraise the assumptions adopted,
4. Consider the reasonableness of the conclusions reached, and
5. Consider the appropriateness of the proposed policies.

This review is based primarily on the material contained in the MML/APR draft report with limited reference has been made to preceding planning documents or additional material.

An iterative approach has been adopted through which each section of the business zones review was summarised and issues, questions of procedure or fact, and matters of interpretation raised with the authors. The summaries were intended to identify the key findings and conclusions of the analyses and ensure that reviewer’s interpretation aligned broadly with that of the authors. The matters raised were those for which clarification was required or which the reviewer thought might justify further consideration. In some instances the authors made minor modifications to the report in response; in others differences in understanding were resolved; in yet others differences in interpretation stand.

Finally, the authors commented on a draft of this review. The conclusions contained within it, however, are based on the independent opinions of the author.

² Prepared by McDermott Miller Strategies Ltd in association with Allan Planning and Research Ltd, November 2013

³ The author of the review, Philip McDermott was a principal with Richard Miller (currently principal of McDermott Miller Ltd) in McDermott Miller Group Ltd between 1987 and 1992. They have had no commercial or professional association since McDermott Miller Group was dissolved in 1992.

A short discussion of the study terms of reference (TOR) and how they are reflected in the MML report is presented below. The outcomes of the review of each section are reported in Section 2. The conclusions from a systematic assessment of the review are presented in Section 3, followed by a discussion of their implications from the reviewer's perspective.

1.3 The Terms of Reference

The Request for a Proposal was issued in response to the proliferation of zoning and resource consents for commercial activities, including consents for out of zone retailing, based on variable analysis and limited consideration of relevant strategic issues. Lack of an overarching policy framework and piecemeal development of new zones has limited the ability of the council *"to sustainably manage commercially zoned areas"*. It specified that the project was to review the capacity of existing commercial zones and develop a policy structure *"to enable more effective management and integration of these zones"* as part of the Queenstown District Plan review.

Project objectives focused on:

1. An understanding of the capacity of current zonings, capacity required for the next planning period, and the risk of *"dispersal of retail and commercial activity adversely affecting key areas such as town centres or creating infrastructural or economic inefficiencies"*;
2. Providing the quality of information required to inform the plan review and to guide the appropriateness of private plan change applications for commercial zoning or out of zone commercial activity consents;
3. Identifying a *"possible methodology to link existing commercial zones and subzones into overarching objective/policy framework"*;
4. Undertaking *initial* stakeholder consultation;
5. Developing *"developing strategic and policies for the sustainable management of commercial/industrial areas"*.

The following key issues (or position statements in some instances) were identified in the terms of reference (TOR) to be addressed for the zone strategy development:

- A community desire to retain the town centres of Wanaka and Queenstown as the *"heart of the District"*;
- *"The vibrancy and vitality of town centres can be adversely affected by retail bleed"*;
- Avoiding *"the creation of new mixed use 'town centres' to the detriment of existing centres"*
- Zoning is a method for limiting commercial activities that generate higher adverse impacts;
- Commercial zoning can place particular demands on infrastructure;
- Absence of an *"over-arching policy structure for commercial activity providing guidance on the purpose, role or location of commercial zones"*;
- The risk that *"over-provision of commercial land leads to inefficient use of infrastructure while affecting 'the vibrancy or viability of existing areas'"*;
- There may be a need for mechanisms for staging additional commercial zoning.

The report was required to include a draft Section 32 report and draft plan provisions.

The TOR, including project objectives, are relatively wide ranging and ambitious, seeking information about the configuration and adequacy of current and future capacity, a structure for interpreting that information, for strategy development, policy writing and the preparation of draft plan documentation. The scope covers town centres, retail, commercial, and industrial activity, although the key issues appear to place the emphasis on retail activity.

In the key issues the terms of reference introduce expectations and assumptions which in some respects constrain the scope for explanation and strategy development, advancing the view that retail development elsewhere causes a loss of vibrancy and vitality in town centres, and the role of

zoning in limiting such impacts. It flags the role of zoning in managing the relationship between land use and infrastructure development and the use of staging as a means of mediating over-supply.

1.3.1 Has the Report Met the Terms of Reference?

As a starting point, it is useful to identify where the objectives contained in the TOR are met in the report. In general terms the report has met the TOR requirements identified as Project Deliverables:

Part I, 3 *Spatial Economy* in the MML report addresses TOR Deliverable Part 1 *Review of existing Commercial Zones*

Part II, 4 *Economic Growth Scenarios* (MML) addresses TOR Deliverable Part 2 *Updated Commercial Needs Assessment for Queenstown lakes District* and Part 3 *Initial consultation with key stakeholders/developers*.

Part III *Evaluation of Development Options* (MML) covers TOR Part 4 *Develop draft Commercial Zoning Strategy*, with MML Chapter 7 *Towards a Zoning Hierarchy – Queenstown Lakes District plan* covering possible policies and “section 32 considerations”

However, the MML report is information-dense and deals at some length with the economic conditions driving retail and business demand for capacity. Consequently, connections between the different components of the review are not easily made. Nor are the responses to the detailed elements of the TOR easily found.

It is recommended, therefore, that a shorter “narrative” document be prepared summarising analyses, conclusions and connections between them (through references to the relevant sections and subsections in the principal report), relating these to the project objectives and key issues identified in the TOR.

2 Review

This section summarises the main issues identified or conclusions arising from successive sections of the business zones review as interpreted by the reviewer. Each summary is followed by discussion of those matters identified for further consideration. This material was prepared initially in the form of memoranda and discussed with the authors prior to incorporation in the current report and subject to some modification as a result. The views remain those of the reviewer.

The focus is on Queenstown where the major and most immediate issues lie. The principles that emerge apply to Wanaka although the underlying issues do not appear to be as urgent there.

2.1 Section 1 - Introduction

2.1.1 Key Points

The main issues addressed were the need to cater for growth in the District plan while dealing with the risk of an oversupply of commercially-zoned land in Frankton which could undermine the role of the Queenstown town centre. Given that the town centre is the heart of district, regional, and national alpine tourism this in turn threatens the growth of the visitor industry, a threat that may be compounded by physical constraints on town centre expansion.

The review focuses on retailing as a key to centres development. Traditionally retail planning is based on central place theory. This illustrates how differences in the size of catchment required by different types of goods and services lead to the spatial organisation of retailing (and services) in a hierarchy of centres. More specialised goods cluster at the centre of more extensive catchments relative to less specialised goods and services. Less specialised (convenience) goods are purchased more often and consequently serve smaller catchments from smaller centres nested within higher order catchments. Collectively, this manifests itself in systematic functional and scale differences among centres distributed in a regular and predictable manner.

But this is a *theoretical* construct that is modified or over-ridden by the physical and human geography pertaining to any particular locality, by historical circumstance, and by changes in the modes and methods of service and goods distribution. An obvious example of the latter is the rapid evolution of logistics technology late in the 20th century coupled with the increasing reach of international retail brands, outlets, and investors. Together with advances in IT these result in a wider dispersal of outlets and increased accessibility to goods and services across centres, reducing the primacy or dominance of the central place.

MML also points out that new forms of retailing (Large Format Retailing for example, and more recently online shopping) and increased personal mobility impinge on the theoretically ideal distribution of shops and centres.

2.1.2 The Approach Adopted

The approach is one of examining the demand for and supply of commercial capacity (floorspace and land) associated with scenarios describing different growth paths in QLDC. One extrapolates recent growth (the status quo); others are the Statistics New Zealand (SNZ) medium population projections and a QLDC variant on this, while three economic scenarios are driven by differing assumptions about tourism growth.

By developing several scenarios the study goes beyond more conventional approaches which rely heavily on medium SNZ population projections. The economic model developed by MML (under a separate commission) translates the output that might be expected from different levels of visitor and resident spending into alternative projections of direct and indirect output and demand for additional labour, which in turn drives growth in population numbers and consequently household spending and retail floorspace and land demand, and additional floorspace and land associated with increased employment in other sectors.

2.1.3 Appraisal: a conventional approach with provision for diverse outcomes

The approach reflects conventional practice in policy analysis, although in this case the introduction of tourism growth scenarios provides insights into just how much the district's economic fortunes will influence demand for business land. This improves on the usual practice of basing future retail and commercial capacity demand estimates solely on population projections based on cohort ageing and extrapolating past migration trends without considering the economic forces that will drive outcomes through their impact on local growth and population movement⁴.

Reference to central place theory as an organising framework is also consistent with other policy work in this field. The reference to changing retail practices is important, though, as it leads the analysis away from dated theoretical constructs to the realities of modern retail and commercial development. These reflect the joint impacts of highly mobile consumers, international supply chains, the diffusion of chain stores which breaks down dependence for centrality among higher order retail and service providers, the emergence of LFR and yard-based retailing, and the distinctive physical and historical geographies of settlement in different localities. The last-mentioned informs the discussion of economy and land use in Section 2 of the MML report in terms that reflect the distinctive Queenstown context.

2.2 Section 2 - The District's Economy

2.2.1 Key Points

The QLDC economy is distinctive given that tourism accounts for 35% of QLDC output, almost four times as much as it does nationally (8.6% of GDP). The significance of tourism goes beyond its role in shaping the local economy though: Queenstown is "a major part of New Zealand's tourism industry".

Tourism dominates employment, although during the past decade growth until 2008 was stronger in sectors unrelated to tourism. Subsequently, the tourism-related and tourism-characteristic sectors recovered⁵, accounting for 57% of employment by 2012. Australian and domestic visitor nights increased throughout the period (although with a check in Australian numbers in 2011) while international numbers fell after 2008 and only recently began to recover.

The business zones review concludes that given the pervasive role of tourism in the QLDC economy and the district's competitive advantage in the sector additional investment in strengthening it is likely to give greater returns than investment in other industries (p9).

2.2.2 Discussion

While tourism is the district's principal basic industry (a "basic industry" is one that generates income within the district by catering for demand that originates outside it) and recognition is given to the potential role of education as a source of growth, consideration might also be given to the role of immigration. To the extent that the attributes of an area that attract leisure visitors also attract lifestyle residents (people whose housing choice is not determined primarily by employment considerations, mainly from elsewhere in New Zealand), their respective consumption profiles should jointly support demand for and investment in goods and services that will add to QLDC's appeal in both markets.

A number of regions (such as Gisborne, Taranaki, and the Bay of Plenty) actively promote lifestyle advantages as part of their economic development strategies. Lifestyle migration differs from

⁴ Adopting SNZ (medium) household projections uncritically as an input in retail modelling (and in other planning analyses) obscures their uncertainty and variability, ignores the difficulty of forecasting the key components (the demand for labour and consequent migration), and under-estimates the impact of local context and the conditions favouring growth or decline. Conventional analyses rarely address the consequences (or costs) of policies based on significant over- or under-projection.

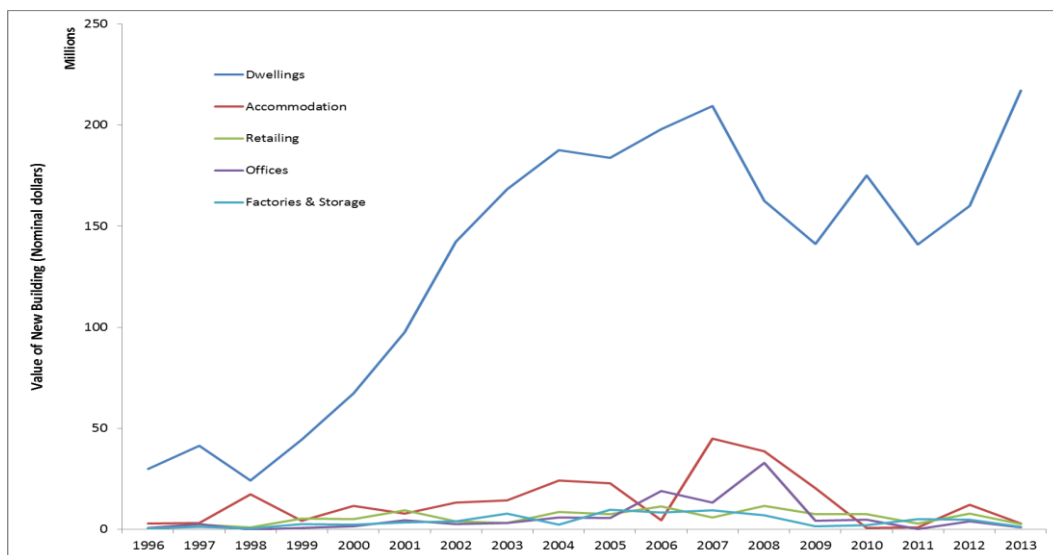
⁵ As allocated in the Tourism Satellite Accounts 2012, Statistics New Zealand

vocational immigration, the latter being fuelled by the expansion of labour demand (associated in QLDC primarily with the growth of tourism which is an intrinsic component of the MML model). Lifestyle immigration introduces additional demand into the district, although given a reliance on fixed incomes, the growth of retirement or near-retirement component in the lifestyle category may not lift average household spending so much as change its composition and consumption patterns.

Both forms of migration will be reflected in residential construction and associated expenditure. Between 2001 and 2006 the number of dwellings in the district increased by 529 a year (5% p.a.). This fell to 406 between 2006 and 2013 (3.1% p.a. based on December 2013 Census results), a fall that may help to explain the increased role of tourism in the second part of the decade.

While residential development has dominated construction, this declined after 2006 as investment in office and accommodation capacity increased. This cycle appears to have reversed with consents for dwellings lifting again recently.

Figure 1: Value of Consents for New Buildings, QLDC 1996-2013



Source: Statistics New Zealand

With the publication of detailed 2013 census results it may be possible to differentiate between vocational and lifestyle immigration, and to determine their relative contributions to QLDC growth.⁶ At this stage it is sufficient to recognise the possibility that lifestyle-based growth is reflected in the migration assumptions underlying SNZ population projections. To the extent that it does drive economic development, lifestyle migration will reinforce the importance of a quality physical and built environment as a condition of growth in the district.

2.2.3 Appraisal: Tourism as a strategic priority for development

Recognising the QLDC economy’s heavy dependence on tourism is central to estimating future land use requirements. Suggesting that the most likely and effective path to growth for the foreseeable future is through expanding tourism is logical. This is not to deny the prospects for start-up industries or the expansion of the food and beverage sector, for example, but the weight of numbers and momentum associated with tourism make it far more likely that the major prospects through to 2031 lie with it. This also makes it a sensible strategic option for economic development rather than

⁶ Recently released data (10/12/13) suggests that vocational immigration dominated growth between 2006 and 2013, with 50% in the school and family raising ages (30-44), 20% of “mature families/advanced career” age (45-59); and 27% in the group most likely to be attracted for lifestyle reasons (60years plus). The tertiary education/early career group (16-29) declined slightly.

relying simply on lifestyle migration or speculative possibilities in other sectors as a basis for land use planning and infrastructure investment.

In practice, this priority is reinforced because a buoyant local economy built on comparative advantage in tourism lifts prospects for other basic activities as well as services. Aiming to diversify and lift the quality of the tourism experience that already underpins QLDC growth is a necessary step in the quest for a more diversified and dynamic economy. Tourism is already a source of entrepreneurship and innovation in QLDC, creating a degree of national and international leadership in alpine, outdoor, and adventure tourism. It is important to future growth that this leadership is maintained, broadened, and diversified through, as MML suggests, a focus on the quality of the tourism product and emphasising “high end” markets. The higher of the two economic development scenarios reflects the sorts of gain that might be made if this can be done well.

2.3 Section 3 – Spatial Economy 2012

2.3.1 Key Points

Queenstown Bay Census Area Unit (CAU) dominates employment in QLDC. Wanaka operates as a largely independent albeit subordinate retail catchment.

Queenstown town centre has 40,000 m² of retail and related activities, (covering grocery, comparison, hardware shopping, restaurants cafes and bars, personal and household services, health services, automotive services, and petrol stations) and 28,000 m² of accommodation, leaving around 78,000m² for other commercial activity. Gorge Road, also within Queenstown Bay CAU has 16,570m² of retailing and associated activity and 35,430 m² of other commercial activity.

A number of sites are planned for commercial development in the Frankton area, several of which have been consented (Figure 2). These include:

- Remarkables Park (operative including 27,000m² of retail space and 6,3000m² other)
- Five Mile (Frankton Flats Special Zone A, consented);
- Frankton Flat B, including Shotover Park DIY Centre (unconsented);
- Frankton Mixed Use Zone (notified but withdrawn); and
- Airport Mixed Use Zone (operative)

There appears to be no expansion planned for retail and related floorspace for Queenstown Bay but potentially 93,000m² planned for Frankton Flats, with over a third of this in Remarkables Park (bringing the total there to 53,700 m²) and the balance spread across Shotover Park, Five Mile, and Frankton Flats Zone B.

On the basis of comparisons with places like Hastings and Kapiti Coast *“it seems unlikely that the household market will be sufficient to support retail development on the scale envisaged by developers”* (p34). If developers’ intentions are realised *“Queenstown town centre would no longer be the principal centre for retailing”* (p35)

In a separate analysis of currently zoned vacant land the report identifies 36ha committed to retail including tourism-related retail development. Of the balance of 41ha, 33.6ha is zoned industrial and just 4.7ha zoned non-retail (commercial) business land.

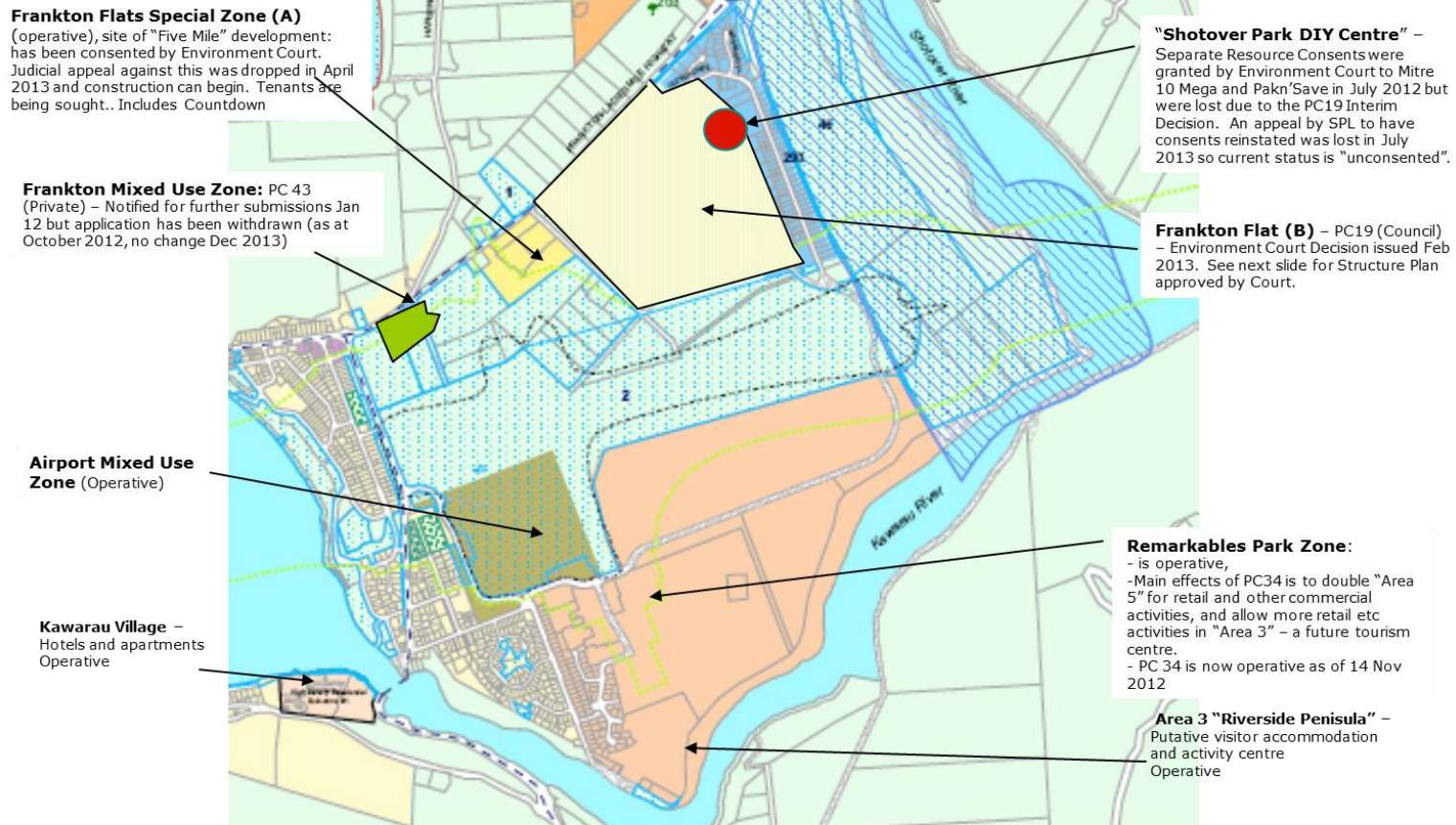
2.3.2 Discussion

Further information was supplied by MML outlining progress in planning for commercial land in the Frankton area (Figure 2). The conclusion that existing commitments and intentions for further zoning and development of commercial land in the Frankton area would be excessive if realised is reasonable.

It is also agreed that for the purpose of this analysis, Wakatipu-Arrowtown and Wanaka *“can be regarded as essentially separate catchments for retail planning purposes.”* (p4).

Figure 2:

Frankton Flats Plan Changes and Resource Consents Status updated to December 2013



Copyright: McDermott Miller Limited 5 December 2013
 Source: Base Map Queenstown Lakes District Council District Plan, overlay and notes by MML

However, MML concludes that *“if developers’ intentions for retail expansion on Frankton Flats are realised, Queenstown town centre would no longer be the principal centre for retailing”* (p35). The issue, though, is whether these expectations will be realised over -- or beyond – the planning period. It is difficult to see Frankton appealing as an appropriate location for high-end, high productivity retailing rather than maintaining its focus primarily on large format and some convenience retailing.

Whether or not – or how far – over-development in Frankton might undermine the town centre’s combined civic and commercial role as the centre of QLDC or its role as the iconic heart of New Zealand’s alpine tourism will depend as much on the quality of development that takes place – and is allowed to take place – in and around the centre as on what happens in Frankton. Apart from anything else, the town centre is better placed relative to the distribution of the population in Wakatipu Basin and can be expected to retain a strong convenience role, as well as increase its specialist retail role.

Even if the weight of retailing were to shift further towards Frankton, particularly retailing oriented towards the local market, this need not undermine the wider role of the town centre, and could be to its advantage. Large format and yard-based retailing, for example, can reduce the intimacy and sense of place of a centre like central Queenstown. On the other hand, the location of such outlets on the edge may increase the prospects for specialist retailing and service to consolidate in the town centre, adding to the sense of place and activity.

If all developments consented or proposed were to proceed in Frankton, the failure of one or more may be more likely than a decline in the role of the town centre. The resulting sporadic development will potentially have negative impacts on the urban landscape in a gateway locality.

2.3.3 Appraisal: Distinctive centres, different policy responses

The MML report highlights the distinctive roles of the town centre and Frankton in Queenstown’s development, the former as the civic and commercial centre of the district and as a key New Zealand tourism destination, the latter as a mixed use commercial area attracting large footprint retailing activity. The challenges that the community faces are easing constraints on development of the former, managing development in the latter in a manner which minimises the possibility of poor quality environmental or economic outcomes (for example, by way of business failures or underutilised infrastructure), and does not rely on the transfer of businesses from one centre to as a basis for achieving the viability of another.

2.4 Section 4– Economic Growth Scenarios

2.4.1 Key Points

Stakeholder consultation confirmed the significance of tourism and an expectation that diversifying and increasing the quality of the tourism product is the most appropriate way to promote local economic development. This means *“improving the quality of accommodation, retail and services in the Queenstown centre/CBD”*, while acknowledging that it is not currently *“financial”* to build new hotels in Queenstown. There is support for a conference centre *“provided it is big enough and classy enough”*. A distinction is made between the CBD as the centre of tourism demand and Frankton Flats as a residential environment.

Demand projections are presented for 2021 and 2031 for Wanaka and Wakatipu-Arrowtown for retail and non-retail commercial land. The latter covers yard-based activity, transport-related facilities, manufacturing, -construction depots, wholesale, office, and community land uses. A status quo projection is based on maintaining the QLDC share of national arrivals relative to the national projections and continuation of a moderate (3.5% p.a.) increase in domestic visitors to 2021, both rates halving thereafter offsetting the compounding effect of projecting constant percentage gains.

Business growth is stimulated both by the increase in output required to meet expanded tourism spending and the local multiplier impacts of that spending estimated by sector.

The status quo scenario provides a basis for comparison with three “economic growth scenarios”:

- **Economic Scenario Variant 1:** Airport expansion and marketing double the international visitor growth rate and lifts the daily international visitor spend 5%; Wanaka grows at status quo rate;
- **Economic Scenario Variant 2:** Significant investment in tourism-related developments leads to three times the status quo rate of growth in international visitor nights and a 25% increase in spending per visitor; complemented by a 10% increase in daily domestic visitor spending; Wanaka growth at status quo rate
- **Economic Scenario Variant 3:** Variant 2 but with new hotel and allied investment and direct domestic flights leading Wanaka to experience three times the status quo rate of growth in international visitor nights, with the daily international visitor spend up 15%, and domestic visitor spending up 5%.

The scenarios were evaluated using the MML economic model commissioned by the Council in 2012. The model was peer reviewed by Martin Jenkins (2013), who concluded that “*McDermott Miller have followed standard economic techniques and build on the best available data*” and “*that it is fit for purpose*” (Executive Summary, 1).

Noting that the model draws on exogenous assumptions about changes in demand by sector (in this case based on the six scenarios outlined) Martin Jenkins suggests that consideration “*be given to developing a forecasting model at least for the initiatives that are currently under consideration*”.⁷

The fixed production functions within a regionalised input-output model do not accommodate or illustrate possible economies of scale or changes in technology and their impact on inter-industry relationships. This means that the model is likely to over-estimate projected labour and floorspace requirements, although reductions in leakage associated with expanding local capacity as demand grows may partially offset this. The consequences of any over-estimation of demand in the MML analysis will be to over-estimate the supply of additional floorspace and commercial land required (Table 1, below). Consequently any estimate of over-capacity is likely to be conservative.

Model Results - Retail Floorspace: The projected increase in retail floorspace required in Wakatipu-Arrowtown is 24,500m² under the Status Quo and up to 76,000m² in 2021 under Scenario 2 (and 3). Current developer’s intentions would see an increase in supply of 69,000m², 44,500m² more than would be required in 2021 under the status quo, or 24,300m² more than required under Scenario 1. Only Scenario 2, based on tripling the national projected rate of tourist growth, would require anything approaching this level of additional retail floorspace.

The demand for additional business land by category is based on applying employee:floorspace ratios for individual sectors to the employment growth generated under the tourism-driven economic growth scenarios. This covers direct, indirect and induced demand for labour calculated through application of the Input-Output module of the Queenstown Lakes District Economic Model. The likely growth in floorspace and land area was calculated on the basis of the increase in employment.

Among other things, this highlighted yard-based activities and transport-related expansion. Projected growth in non-community office activity is limited although under a high growth scenario around 2.5 ha “*of office activity which should be accommodated in an extended Queenstown town*”

⁷ A general equilibrium (GE) model is suggested as an alternative to support cost benefit and business case analyses. However, this is not considered necessary for reviewing land use requirements and is unlikely to be viable given the paucity and volatility of small area (region or district) data. The absence of a regionalised GE modelling in New Zealand noted by Martin Jenkins (p5) confirms the impracticality of this suggestion.

centre” (P 59). However, “an acute shortage of vacant land zoned Town Centre” means that “the Queenstown town centre zone has to either expand or be redeveloped more intensively, otherwise activities appropriate to the Queenstown Town Centre will have to locate in other zones” (p42).

Table 1: Growth Scenarios and Floorspace and Land Demand Simulations

2021	Stats NZ Medium	Status Quo TOTAL	Scenario 1 TOTAL	Scenario 2 TOTAL	Source
Employment QLDC		2,982	5,954	10,412	Table 4.1, Fig. 4.2, 4.7
Retail Demand (\$m)					
Wakatipu-Arrowtown		161.0	293.0	497.0	Figure 4.10
Floorspace m ² Wakatipu - Arrowtown	29,600	24,500	44,700	76,000	Figure 4.12
Non Retail Land Ha	13.3	17.8	36.0	63.0	4.7.1, Fig 4.14
2031					
Employment QLDC		5,025	18,631	18,631	Figure 4.8
Floorspace m ² Wakatipu - Arrowtown	45,000.0	39,000.0	71,000.0	135,000.0	Read off Fig 4.12
Non Retail Land Ha	27.0	30.0	61.0	114.0	4.7.1, Fig 4.14

Source: MML/APR

Land for accommodation is excluded because of currently low occupancy rates (50%) and the location of most capacity in the high density residential rather than town centre zone. Growth in visitor numbers is assumed to be through an uptake in existing capacity. 80% occupancy could be achieved by 2021 under Economic Scenario 1 and by 2018 under Economic Scenario 2 (and 2031 under the status quo projection). Relying on gains in occupancy to accommodate growth in demand suggests a need to upgrade existing stock prior to advancing new supply which “could involve allocating future expansion ... between the High Density Residential Zone and the (expanded) Queenstown Town Centre” (p64).

Conclusion The results highlight the shortage of town centre zoned land, particularly given the need for any development promoting tourism growth to focus there. On the other hand “current plus proposed retail floorspace (m² GFA) supply growth in the Frankton Flats cluster grossly outstrips retail floorspace that can be supported by reduction in leakage of spending outside the District and household and tourism growth. Even in 2031 retail floorspace supportable will be only 43% of the proposed supply increment.” (p62).

Options suggested for pursuing high growth aspirations of the sort modelled in Economic Scenarios 1 and 2 include concentrating on tourism intensification (focused on Queenstown Town Centre in the first instance); dispersal of activity based on increasing retail land in Frankton Flats; and diversifying the district’s economic base, although industries that might be developed to achieve the latter were not identified through the consultation (p65).

2.4.2 Discussion

Recognition of the importance of tourism to the growth of the QLDC economy suggests that a way needs to be found to upgrade existing accommodation and lift the quality of the tourism offering generally, while promoting Queenstown in a way that will boost visitor numbers. Boosting demand and yield (spend per visitor) simultaneously and relying in part on investment in existing, under-utilised capacity to do so will present industry-wide challenges. It is likely to require public and private investment to reinforce Queenstown’s role as an iconic alpine destination, promoting it into new geographical markets and broadening its appeal in existing ones.

Placing the challenge in context, the compound rate of growth in visitor nights from 2001 to 2011 was 1.9% per year, giving rise to a 20% gain between 2001 and 2011. Under the status quo scenario

this is projected to continue at a similar level, giving rise to a 17% increase by 2021. Economic Scenario Variant 1 would see a jump in the growth rate to 2021 to 5.8% a year and a 75% gain in visitor nights, while Economic Scenario Variant 2 would see a 7.2% growth rate doubling visitor nights over the same period. Both are ambitious. And even if the high projection of visitor nights could be achieved, the associated demand for labour would be difficult to satisfy.

It can be concluded that even allowing for gains in productivity both scenarios (and by extension, Economic Scenario Variant 3 with its major boost to Wanaka tourism) represent optimistic outcomes, at least through to 2021.⁸

This reinforces the conclusion that if all developers' intentions or plans were to come to fruition there will be a substantial over-supply of retail and non-retail business land. The demand for retail capacity associated with current plans is a possibility only under the least likely scenario, and even then only after 2025 (Figure 4.12). The existing supply of vacant land would in theory be taken up under Economic Scenario Variant 2 by 2019 and under Economic Scenario Variant 1 by 2025. The status quo suggests it may be exhausted towards 2031. The inference is that there is limited pressure on business land unless there is substantial acceleration in tourism growth.

2.4.3 Appraisal: Commercial land – unders and overs

This conclusion might be qualified, however, to the extent that the theoretical supply of business and office land may not correspond fully with availability on several grounds: site quality, suitability, and yield, fragmentation, current owner intentions and price expectations, and access issues. There may well be a case for QLDC to review the quality and capacity of vacant land and to determine what buffer to provide (perhaps 10-20% above projected demand) when making a final determination.

Otherwise, the ambitious nature of the economic scenarios, and in particular the low probability of Scenarios 2 and 3 eventuating, suggest that there is no pressing need for additional business land or retail capacity at the levels currently provided for or under consideration. This conclusion appears robust. Should it prove incorrect in due course it can be remedied reasonably easily at that time. It is therefore appropriate to direct attention to the distribution rather than the quantum of supply. This is done in MML Section 5.

2.5 Section 5 – Towards a Centre-Based Development Strategy

2.5.1 Key Points

Two spatial development scenarios are proposed, dispersal and intensification. Each is contingent, with an explicit and implicit range of conditions associated with it. The dispersion scenario raises a number of planning challenges, but is presented as an almost inevitable failure of urban design, economic rationality, and competitive response. The description implies the possibility of over-investment, large and often empty structures, and the contraction of retailing, matters that could presumably be addressed through the appropriate planning methods (such as master planning/sequencing, structure planning, and infrastructure investment plans).

In particular the, intensification scenario is aligned with a boost in tourism (\$624m in value added – by 2021 – in Table 5.3). To achieve this substantial investment would be required in product

⁸ Although MML comments in response that "Scenario 1 is realistically achievable if the throttle of the Airport is relaxed and other investment occurs as indicated in Table 4.2. Growth Tourism Scenario 2 however could be justifiably termed 'ambitious' - it is more of an aspirational target. Satisfying the demand for labour would be a challenge ie it will require considerable investment in 'affordable' housing. This is a matter for further investigation; only if housing issues are insuperable would labour supply be a serious factor limiting realisation of the accelerated growth scenarios".

upgrading, new amenities, and additional accommodation (towards the end of the period). The underlying logic is that the development of tourism will be favoured by planned intensification that enhances, indeed prioritises, the built environment and diversity of the town centre, while protecting the amenity and ambience of Queenstown and its hinterland. The latter may call for some controls over the form of development in the north – including Frankton Flats business and mixed use land – and how it is executed.

2.5.2 Discussion

Even if a significant portion of the investment proposed for Frankton Flats takes place – and the analysis in Section 4 raises doubts about the feasibility of development expectations reflected in current plans – it does not necessarily follow that this will undermine the town centre or tourism. One outcome of the contraction of traditional retailing in the centre, whether or not as a result of businesses migrating to Frankton, may be the upgrading of vacated space leading to occupation by higher value activity, including but not limited to retailing. While a failure to reinvest may see short term occupation by lower value – and often innovative – uses, these are often simply transitional as the centre moves towards more intensive, higher value uses. Indeed, the entry of new, often innovative or leading edge activities may be something that can be anticipated more if the centre is subject to competitive pressures than if it isn't⁹.

Incidentally, there is no evidence that the town centre is of a size to benefit from agglomeration economies of the sort cited.¹⁰ Rather, it is likely to benefit from an array of specialist activities covering recreation and entertainment, culture, community and civic administration, retailing and final demand services, as well as the traditional higher order and professional services.

2.5.3 Appraisal: Seeking a Balance

Given the current status of plans and planning for Frankton the choice of one spatial scenario ahead of the other is not necessarily the way ahead. However, there is clearly recognition among stakeholders that tourism diversification and development offers the best prospect at present for expanding the Queenstown-Lakes economy, and that the development of the town centre is central to maintaining and enhancing a quality destination.

Table 5.3 in the MML report supports this on several grounds, some of which may be debatable (e.g. agglomeration economies, development impact, and contribution to resilience). The social and environmental benefits cited for urban intensification perhaps need to be tested. Among other things, they all depend on the quality and not just the quantum of development. The report also suggests (in Section 7.5.3) incorporating such wider considerations into the preface of a new Centres Chapter in the reviewed District Plan.

One outcome of a balanced strategy may be greater differentiation between a distinctive leisure-oriented town centre with the advantage of a prestigious address attracting higher order businesses (including retail businesses), while development in the Frankton Flats area takes place primarily in response to the day-to-day needs of the local population and demand for large format retailing subject to environmental constraints.

⁹ Without being immediately familiar with the town centre, I would expect it to transition to more diverse and potentially innovative uses if some traditional, low productivity retailers vacate it. Such changes in use and competitive pressure should also see some upgrading or reinvestment by existing – or new – town centre landlords and investors in the quality of the built environment.

¹⁰ The sorts of advantage cited by Donovan and Munro (2013) remain largely theoretical; are marginal in nature, can be achieved only with high capital costs for infrastructure and development, and are in any case associated with much larger settlements than Queenstown. Queenstown offers investors other advantages associated with environment and lifestyle, costs, and ease of local movement. Also, with changing business models based on enhanced communications among centres purported agglomeration advantages are weakened.

Apart from impacts on landscape and hydrology, environmental issues in Frankton Flats include the risk of reverse sensitivity impacts associated with businesses and residences in close proximity and with the impact of an existing airport on new activities. This means acknowledging the limited amenity values associated with mixed use which juxtaposes industrial (workshops, wholesaling, distribution depots, and the like) and residential activity (housing, schools, and community facilities) and suggests the need for master planning (if only for infrastructure provision) as a basis for progressing and integrating development there.

2.6 Section 6 - Strategic Issues and Initiatives

2.6.1 Key Points

This section sets out the role of the CBD as the tourism, administrative, commercial, and employment centre of the district. It identifies threats to the centre: low levels of investment, limited space for expansion, a declining tourist product, and (perhaps as a response to these factors or under pressure from the capacity provided in Frankton) dispersal of functions to other locations.

There is a potential oversupply of household oriented retail development given slower than expected residential growth and relatively low average household spending. It appears that sufficient retail floorspace is provided for two to three times the current household numbers (p78).

The policy issues raised include how to:

- Recognise through the plan QLDC dependence on tourism;
- Sustain the town centre as the principal employment and administrative centre and New Zealand's pre-eminent Alpine resort in a way which ensures continuing tourism attraction;
- Ensure the highest quality of commercial accommodation;
- Foster and sustain the commercial and resident servicing roles of Wanaka town centre, and Frankton flats in a way that complements Queenstown town centre;
- *"ensure retail services distributed among the centres of Queenstown Lakes district in a way which maximises their accessibility to all households and visitors"*.

The responses suggested are to (1) focus on deepening and diversifying tourism; and (2) adopt a hierarchy of centres policy, defined as:

- Queenstown town centre, town centre transition zone, and adjacent areas for expansion;
- Wanaka and Arrowtown centres
- Frankton Flats and Remarkables Park developed as an "integrated functional centre".
- Future hotels, office space, restaurants and specialist comparison retailing in and near Queenstown CBD in order to provide a contained centre that is attractive to tourists, businesses and local residents (p.80)

2.6.2 Discussion

The prognosis is reasonable and realistic: the community has little choice but to reinvest in tourism simply to maintain current activity levels. Queenstown has the advantage of being the centre of the alpine region which will maintain currency if the quality of relevant infrastructure is sufficient.

Promoting the long-term future of Wanaka as a *"twin international tourism resort"* is also sound in terms of both that town's development and deepening the tourism product within QLDC.

The advantage of tourism-focused strategy includes the fact that modest growth from a large base will have a significant impact in a community already geared to tourism. Diversification within the sector will promote growth, broaden income and employment opportunities, promote entrepreneurship, and hopefully diminish seasonal and cyclical effects. A focus on quality is appropriate for a maturing product as it multiplies offerings to visitors without undermining the basic alpine product. Building on tourism sustains an established beneficial cycle between the concentration of visitors and the spin-off of high-value niche services and products.

2.6.3 Appraisal: Questions raised

The New Zealand Alpine product benefits from a strong heart and it is sensible for Queenstown town centre to continue to play that role. However, the threat to role identified with over-capacity at Frankton raises a number of questions.

The first is why an oversupply of commercial land in Frankton Flats should undermine the quality of the town centre? The second is whether “*a hierarchy of centres policy*” is necessary to prevent this outcome? The response offered by the consultants is that surplus land in Frankton creates a competitive environment such that land owners in the area can through the planning process frustrate aspirations for the redevelopment and intensification of the town centre. By enforcing a hierarchy – whereby development at subordinate levels should not be allowed to undermine development at higher levels – it is presumed an orderly (or sustainable, or efficient) spatial arrangement of activities can be achieved.

Other questions include:

- Is embedding the centres planning framework within a hierarchy an effective planning method? Section 1 of the business zones report suggested that the rationale -- central place theory -- may be of diminishing usefulness for explaining differences in the development of centres given changes in the nature of retailing.
- How practical is it, and how effective, to lift the focus on tools for promoting the centre, including urban design, planning rules, civic investment, and other non-statutory methods (e.g., a town centre management association and business improvement district, promotion of festivals and arts, consolidation of sites for redevelopment, etc.) as anticipated. Policies in the District Plan might be designed to support innovation and diversity in the centre rather than reinforcing the status quo.
- How realistic is it to expect that land owners in Frankton Flats might be able to object successfully to initiatives to promote the distinctive role of Queenstown town centre?

2.7 Section 7 – Towards a Zoning Hierarchy

2.7.1 Key Points

A review of existing planning documents concludes that:

“In business/commercial/retail terms the District Plan contains highly varied provisions enabling the commercial/retail development of a disparate range of localities, and there is no cohesive overall strategy”.

Based on a review of actual or proposed practice in Auckland, Wellington, Christchurch, Hastings, and Nelson/Tasman the authors opt for a centres hierarchy as a “*typical planning tool*” through which the district plan is used to “*manage the release of land for new development so as to ensure that centres higher in the hierarchy were not adversely affected [by centres lower in it]*” (p84).

A planning balance sheet exercise (Table 7.1) confirms a preference for concentration based on a centres hierarchy compared with dispersion without a hierarchy, while a second planning balance sheet (Table 7.2) establishes the levels of a hierarchy for planning purposes. The favoured three level hierarchy distinguishes between *district centres* (an expanded Queenstown centre and Wanaka town centre), *suburban or secondary centres* (Arrowtown Remarkables Park, Five Mile/Shotover Park, Three Parks Centre (Wanaka), and eight local centres.

The implications for the District Plan include:

- Reviewing the extent and extension of Queenstown town centre and incorporation of the Gorge Road precinct into the town centre zone, or “*an ancillary frame' functional component*” to the extended TCZ (MML 7.4.4).

- Clarifying other methods to maintain and enhance the functionality of the CBD;
- Managing the growth and change of suburban centres *“so as not compete with the vitality, vibrancy and functionality of district centres”*;
- Evaluating rules to determine *“levels of control [that should] remain for the Council in each centre and consider new rules to manage growth of these centres...”*;
- Considering the *“appropriateness of new rules to manage the growth of the centres and extent of functional diversity”*, and, if appropriate, modifying *“current plan provisions in a way that will protect and/or sustain the importance and functionality of the level one district centres”*.

The balance of Section 7 provides draft material for the centres chapter of the district plan. It also identifies possible rule-based techniques to manage the type and scale of business *“especially retail and office development”*. These might include:

- Use of deferred status to delay inefficient uptake of over zoned land areas;
- Cumulative impact assessments for new large commercial and retail developments *“in conjunction with restricted discretionary rules relating to additional, or total, retail floorspace area in specified zones”*;
- Minimum floorspace rules for new retail activities in specified zones to limit dispersal of specialty shopping across a range of locations;
- Reviewing built environment management provisions within and between zones to ensure that requirements are not distorting development preferences;
- Possibly linking commercial floorspace development with progressive provision of permanent residential capacity at Remarkables Park;
- Other detailed modifications to be identified of the base issues within existing provisions.

Non-statutory methods are also suggested. These include an economic strategy that recognises the importance of Queenstown and Wanaka to the District’s growth, expanding the Queenstown town centre to sustain more intensive tourism development, shaping Destination Queenstown marketing to reflect the roles of the centres, supporting funding of key tourism infrastructure, programming infrastructure investment to reflect the centres hierarchy, and promoting events in district centres.

2.7.2 Discussion

The principle conclusions of the business zones review appear well founded: the status of Queenstown town centre is central to the future of tourism and critical to the development of the District, and ad hoc development planning in Frankton Flats threatens substantial over-zoning of retail and commercial land which threatens orderly land use development and service provision in Queenstown as a whole.

A policy framework that recognises and accommodates the functional differences and strengths of the two centres (to the extent that Frankton is a “centre”) appears a reasonable response, alongside other statutory and non-statutory measures that encourage investment in the centre and reflect and builds on QLDC’s advantage as a major tourism destination. There are also no doubt grounds for seeking to more actively moderate development in Frankton to avoid the environmental, infrastructural, and social consequences of over- or too-rapid a rate of development.

However, these consequences are not evaluated in the report. An assessment of the impacts of premature development in these terms may provide stronger grounds for regulating development within Frankton than reliance on a hierarchy to mediate relationships among centres.

2.7.3 Appraisal: Policy options

Use of a retail hierarchy

Definition of a retail hierarchy rather than a simple centres-based framework to provide the planning framework can be contested on the following grounds:

- The definition of a hierarchy is arbitrary and fixed at a point in time. Typically, it is used to describe relativities among centres in a single “urban system” (metropolitan area, city, or large town). In this case, though, it incorporates dispersed and disparate settlements and centres, assigning Wanaka to the same level as Queenstown (implying that it is an alternative site for higher order functions) and labelling the discrete settlement of Arrowtown as “suburban”;
- Locking centres and activities within them down according to a particular model of functionality can distort investment by increasing the costs of entry for new businesses and reducing competitive pressure on existing businesses (and landlords), and thereby reducing the need to reinvest in centres at the top of the hierarchy;
- Maintaining a hierarchy requires the use of detailed rules that are difficult to define, cost, implement, and monitor and which may have unforeseen or unintended negative consequences. These include policies likely to discourage or suppress investment in new and innovative forms of retailing generally, and reducing the incentive for reinvestment and intensification in the centre (for example: “ensure that higher-order activities such as office, specialist retail, visitor accommodation and specialist tourism-based activities, are subject to provisions that will ensure that, by their scale or character, a Suburban Centre does not undermine or detract from the viability, vibrancy and/or effective economic functioning of a District Centre”, MML p.99);
- This in turn will reduce competitive pressure at upper levels of a hierarchy limits opportunities for new forms of enterprise that accompany the refurbishment and reuse of ageing structures, reducing the potential responsiveness of upper level centres to changes in market circumstance.
- Increasing the cost of investment by lifting compliance and operating costs, the latter through arbitrary size constraints or diminished accessibility is likely to reduce investment to below what would otherwise take place and consequently lower economic welfare.

Any externalities associated with developing excessive or premature capacity in Frankton by way of adverse amenity and landscape impacts or infrastructural and fiscal impacts (including the imposition of long-term maintenance and depreciation commitments on ratepayers from under-utilised infrastructure) provide a well-grounded basis for imposing staging conditions or limiting the scale and intensity of activities over and above concerns about its impact on the shape of a retail hierarchy spanning the district.

The impact on transport may be another reason, given that figures provided by MML confirm the greater accessibility of the town centre to the majority of Queenstown residents (Table 2). While the population balance will no doubt shift to the north with the eventual uptake of residential capacity in Remarkables Park, Frankton Flats Special Zone (B), Quail Rise and Jacks Point this is unlikely during the planning period and will not diminish the absolute number of residents for whom Queenstown centre is the closest retail and workplace destination.

The rules pertaining to the centre may justify review to ensure that there is sufficient flexibility to encourage diversity of land uses and ease of movement. Urban design issues may need to be reviewed, particularly the expansion of the central zone boundaries and its effective extension into Gorge Road. Outside the statutory framework, the council could explore ways to encourage the consolidation of redevelopment sites and support strategic tourism projects.

Table 2: Population Distribution

Census usually resident population counts showing trends in accessibility of Centres to Population

	2001	2006	2013	Av Ann % Growth		Share of Ward			Share of District		
				2001-06	2006-13	2001	2006	2013	2001	2006	2013
Central Queenstown (Town Centre, Gorge Road, High Density Res)	3,987	5,031	5,496	4.8%	1.3%	32.2%	31.6%	28.6%	23.4%	21.9%	19.5%
Sunshine Bay/Arthurs Point	2,142	2,667	3,165	4.5%	2.5%	17.3%	16.7%	16.5%	12.6%	11.6%	11.2%
Outer Wakatipu	813	930	1,245	2.7%	4.3%	6.6%	5.8%	6.5%	4.8%	4.1%	4.4%
<i>Subtotal "Queenstown Town Centre more accessible"</i>	<i>6,942</i>	<i>8,628</i>	<i>9,906</i>	<i>4.4%</i>	<i>2.0%</i>	56.1%	54.1%	51.6%	<i>40.7%</i>	<i>37.6%</i>	<i>35.1%</i>
Frankton (incl Remarkables Park)	1,641	1,782	1,827	1.7%	0.4%	13.3%	11.2%	9.5%	9.6%	7.8%	6.5%
Frankton East (incl Glenda Drive)	153	396	639	20.9%	7.1%	1.2%	2.5%	3.3%	0.9%	1.7%	2.3%
Kelvin Peninsula/Jacks Point	849	1,152	1,308	6.3%	1.8%	6.9%	7.2%	6.8%	5.0%	5.0%	4.6%
<i>Subtotal "Frankton Flats Cluster more accessible"</i>	<i>2,643</i>	<i>3,330</i>	<i>3,774</i>	<i>4.7%</i>	<i>1.8%</i>	21.4%	20.9%	19.7%	<i>15.5%</i>	<i>14.5%</i>	<i>13.4%</i>
Arrowtown	1,692	2,148	2,445	4.9%	1.9%	13.7%	13.5%	12.7%	9.9%	9.4%	8.7%
Wakatipu Basin/Lake Hayes	1,089	1,830	3,060	10.9%	7.6%	8.8%	11.5%	15.9%	6.4%	8.0%	10.8%
<i>Subtotal "Similar accessibility to both"</i>	<i>2,781</i>	<i>3,978</i>	<i>5,505</i>	<i>7.4%</i>	<i>4.8%</i>	22.5%	25.0%	28.7%	<i>16.3%</i>	<i>17.3%</i>	<i>19.5%</i>
<i>Total Wakatipu/Arrowtown Wards</i>	<i>12,366</i>	<i>15,936</i>	<i>19,185</i>	<i>5.2%</i>	<i>2.7%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>72.6%</i>	<i>69.4%</i>	<i>68.0%</i>
Wanaka	3,330	5,040	6,474	8.6%	3.6%	71.2%	71.9%	71.7%	19.5%	22.0%	22.9%
Rural Wanaka	1,344	1,968	2,559	7.9%	3.8%	28.8%	28.1%	28.3%	7.9%	8.6%	9.1%
<i>Total Wanaka Ward</i>	<i>4,674</i>	<i>7,008</i>	<i>9,033</i>	<i>8.4%</i>	<i>3.7%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>27.4%</i>	<i>30.5%</i>	<i>32.0%</i>
Total Queenstown Lakes District	17,043	22,959	28,224	6.1%	3.0%				100.0%	100.0%	100.0%

Source: Statistics NZ compiled by McDermott Miller

In the case of Frankton Flats an overarching master plan may be called for which integrates existing structure, transport, and service plans, linking the rate of land development to the rate of infrastructure development, seeks to rationalise land uses across titles (and across the airport runway!), applies urban design and landscape principles appropriate for a mixed-use suburban area, and provides rules for the release of land in an orderly manner.

Planning for this area could aim to: set out a sequence for development tied back to a long-term infrastructure plan¹¹; minimise the risk of reverse sensitivities; minimise conflict between light industrial and residential uses; manage traffic movements; and preserve the quality of the wider landscape by a sensitive approach to the built environment.

¹¹ Provision might be made for individual investors to depart from the development sequence provided that a formula can be established that identifies the costs of doing so and requires the developers to meet those costs.

3 Evaluation

This section provides an overview based on the preceding review and discussion with MML.

3.1 Overall Approach

The report documents a sound approach to policy analysis which is appropriate for the task; namely assessing the impact of different growth trajectories on the demand for commercial land by the application of an input output-based economic model utilising coefficients of turnover:floor space for retailing and land area per employee (for non-retailing). The approach differs from common approaches to the estimation of future land needs for commerce to the extent that scenarios of different levels of tourism growth are used to explore variations in economic performance rather than relying simply on demographic projections.

The scenarios used (six in total, including the usual Statistics New Zealand medium population projection and the Queenstown Lakes District Council variant on that) deal with continuation of recent trends (the status quo which implies slowing growth over time) or higher levels of growth.

3.2 Methods of Analysis

The economic model employed to translate projections of economic activity and population into sector production and employment is appropriate for the task. It has been evaluated by consultants Martin Jenkins, who concluded that technically it is fit for purpose.

Minor concerns were raised about fixed production functions and inter-industry relationships (i.e., productivity and the configuration of intermediate transactions are not projected to change over the forecast period). To the extent that future demand may have been overestimated the conclusion that current development intentions are excessive is strengthened.

Applying economic analysis to policy development that will influence urban form through the provisions of the district plan highlights the challenge of aligning policy with the evidence base in the face of uncertainty, in this case regarding the potential level of growth. The use of spatial scenarios and consideration of alternative scenario configurations is a suitable response to this and leads to adoption of a hierarchy as the appropriate policy framework.

The adoption of planning balance sheet methodology is defensible, although the weightings applied to many of the attributes incorporated are inevitably subjective. A commentary on the basis for scoring increases transparency, supports risk assessment (i.e. enables consideration of the consequences of an inappropriate weighting on outcomes), and enables the reader to consider their relative significance and the veracity of the underlying rationale in each case.

3.3 Assumptions

The detailed data, sources, and assumptions underlying the tourism projections, the predictive economic model, and floor space and land area modelling were supplied in confidence by MML for the current review. These have been considered and compared with estimates from other sources where appropriate and are considered to be satisfactory for the task.

The sources behind the predictive economic model were previously supplied to reviewers Martin Jenkins in July 2013. These covered economic forecasts, national, regional and local tourism data and national tourism forecasts, the transaction tables, multipliers, and QLDC technical coefficients provided by Butcher Partners Ltd (used in the economic model), various economic and industry indicators, and SNZ demographic data. The information brought to bear was comprehensive.

The information supplied for the current review included a synopsis of **assumed retail development** as follows:

- Large format (and other) retail development in an expanded (by Plan Change 34) Activity Area 5 of Remarkables Park Special Zone (based on communication from Remarkables Park Ltd).
- Development of visitor-oriented cafes, boutique retail, accommodation and other visitor attractions/facilities in Activity Area 3 (“Riverside Peninsula”) of Remarkables Park Zone.
- Development of the Five Mile Retail Centre, including a Countdown Supermarket, a department store and specialist retailers, commercial offices and visitor accommodation (as consented).
- Eventual expansion of Five Mile Retail Centre onto Activity Area C1 of Frankton Flats Special Zone (B).
- Development of the proposed Shotover Park retail centre on Activity Area E1 of Frankton Flats Special Zone (B) with the first stage being a Pak'n'Save supermarket and Mitre 10 Mega store to be followed by other “home” stores.

In the absence of concrete proposals for retail development no allowance was made for an increase in net floorspace in the town centre and Gorge Rd areas.

The assumptions of **turnover per square metre** used for estimating retail floorspace requirements (divided between supermarkets and other retailing) are sustainable and well within the range of industry performance and estimates. Existing and planned **land requirements** for developments in Frankton are used to estimate a floor area ratio (for conversion of retail floorspace demand to land area required) which also aligns with prevailing FARs elsewhere.

Provision has been made for the **leakage from household spending** to decline from a current figure of 37% contained in evidence provided by Market Economics to the Plan Change 4 hearing, to 15% in the future. This reduction is based in part on the assumption that the Five Mile retail development plus retail development on Area 5 of Remarkables Park will introduce new LFR and special retail brands to Queenstown, leading to a significant reduction in leakage. A reduction in purchasing outside the district risks of this extent risks erring on the side of over- rather than under-estimating future demand for retail floorspace. Even so, the projections indicate a significant mismatch between developer intentions and likely demand unless substantial tourism-based growth (of the order of that illustrated by Economic Scenario 2) is achieved.

Future **employment** has been estimated in several ways. The first simply applies the labour supply-driven approach applied by Hill Young Cooper (2006) to SNZ and QLDC demographic projections. Floor area per employee ratios have been used to estimate the demand for additional floorspace (and consequently land) for commercial use assuming more or less constant levels of labour force participation without regard to the demand and investment required to sustain it. The second extrapolates historical economic activity by analysing and projecting commercial building consent data. The third focuses on labour demand by projecting employment associated with the tourism growth (including the intermediate and induced effects of increased local expenditure by visitors).

The latter two approaches are preferred because they deal with employment demand and consequently vocational (work-related) migration. The third approach is preferred to the second insofar as it draws on information on the dominant basic sector in QLDC, a national tourism baseline, and the structure of the local economy. In other words, it incorporates the greatest amount of information into the forecasts. The planning issue then is one of estimating the probability of achieving different levels of tourism growth or, conversely, the prospect of lifting tourism growth rates through a combination of planning, urban design, direct investment and other measures.

The consequences of the different rates assumed in the tourism scenarios are clearly demonstrated by the MML analysis (Figures 4.12 to 4.16, pp.55-58). These confirm that only very high growth rates in tourism might sustain the demand for land associated with current plans and intentions, a conclusion that is based on conservative assumptions to the extent that they err on the side of over- rather than under-estimating the associated demand for retail and commercial land.

3.4 Conclusions

The report incorporates the results and conclusions from a series of analyses, relying on a combination of commentary and the use of planning balance sheets to achieve this. The primary conclusion, that plan change requests in recent years have resulted in *“an oversupply of commercial and retail zoned land on the basis of a relatively dispersed pattern, particularly in the Frankton area”*, is clearly established and soundly based.

Indeed, this conclusion appears conservative. In the reviewer’s opinion the assumptions generally favour a higher rather than a more likely lower estimate of future demand for retail capacity. In addition, quantifying the issues in Section 1 regarding alternative forms of retailing including the impact of web-based retailing would almost certainly lead to some reduction in estimated demand for conventional retail floorspace relative to household expenditure.

It is also likely that new investments will yield productivity gains and further reduce floorspace demand. While over-investment could lower productivity in the short run if floorspace expands more rapidly than demand it would be reversed in the medium term by the loss of ill-founded or under-performing businesses.

The second conclusion, the extent to which the oversupply of retail and commercial floorspace *“may threaten the vitality of the Queenstown town centre by competing for the top end activities which provides the underpinning for the district’s economic well-being”* is less compelling to the extent that the two localities perform different functions. The town centre is the civic, commercial and social centre of QLDC as well as the heart of New Zealand’s alpine tourism product. An analysis of 2012 SNZ Business Directory employment data (Table 3) indicates:

- Queenstown Bay CAU dominates district-wide non-primary-sector employment;
- It is the principal retail centre and, significantly, along with Queenstown Hill dominates the accommodation and food services sector;
- It dominates in particular information and media and professional, financial, and business support services as well as public administration
- Frankton is important in the secondary sectors (construction, wholesaling, transport and storage for which it accounts for 30% of district employment.
- Retailing is the largest sector in Frankton (18% of the combined CAU’s total employment), accounting for 21% of the district’s retail employment. This compares with 44% of the district’s retail employment in Queenstown Bay and Queenstown Hill jointly.

The picture emerges of a town centre as accommodating higher order services, hosting the visitor industry, and the focus of the district’s retailing. Frankton by contrast caters for lower order and generally lower added value activities. The centre’s wide role suggests that it will remain the focus of retailing which, among other things, complements the other activities contributing to its primacy.

Table 3: Employment Structure, Queenstown Centre and Frankton, 2012

	Queenstown Bay			Queenstown Hill			Frankton/Frankton East		
	Number	Composition	Share QLDC	Number	Composition	Share QLDC	Number	Composition	Share QLDC
Manufacturing	100	2%	20%	3	0%	1%	100	4%	20%
Utilities	12	0%	18%	0	0%	0%	9	0%	14%
Construction	130	3%	10%	80	4%	6%	360	14%	28%
Wholesale	50	1%	17%	0	0%	0%	173	7%	58%
Retail	810	16%	38%	130	6%	6%	460	18%	21%
Accom. & Food Services	1,660	32%	34%	1,130	56%	23%	175	7%	4%
Transport, Post, Warehousing	160	3%	24%	35	2%	5%	225	9%	34%
Info., Media, Telecoms	110	2%	50%	18	1%	8%	9	0%	4%
Finance & Insurance Services	130	3%	45%	30	1%	10%	50	2%	17%
Rental, Hiring, Real Estate	140	3%	25%	80	4%	14%	150	6%	27%
Prof., Scientific, Technical	250	5%	32%	200	10%	25%	80	3%	10%
Business Admin & Support	540	11%	49%	120	6%	11%	110	4%	10%
Public Admin & Safety	180	4%	44%	70	3%	17%	90	4%	22%
Education & Training	240	5%	33%	70	3%	10%	84	3%	12%
Health & Social Assistance	120	2%	25%	12	1%	3%	176	7%	37%
Arts & Recreation	340	7%	28%	25	1%	2%	104	4%	9%
Other	120	2%	29%	15	1%	4%	110	4%	27%
TOTAL	5,110	100%	31%	2,020	100%	12%	2,490	100%	15%

Source: Business Directory, Statistics New Zealand

The higher order role of the centre is confirmed by the 2012 distribution of employment among retail store categories (Table 4). Frankton is most dependent on supermarkets, department stores, and hardware, building and garden supplies outlets – activities focused on lower order household demand and large format stores and yards. Queenstown Bay is dominated by clothing, footwear and accessories, pharmaceuticals and “other” personal goods stores, and recreational goods, while still providing significant supermarket and grocery capacity.

Table 4: Employment in non-Automotive Retail Categories, 2012

	Queenstown Bay		Frankton	
	Composition	Share QLDC	Composition	Share QLDC
Supermarket & Grocery	15%	20%	37%	31%
Specialised Food	9%	39%	7%	18%
Furniture	4%	45%	2%	13%
Electrical & Electronic	1%	19%	6%	56%
Hardware, Garden & Building Supplies	7%	31%	10%	25%
Recreational Goods	15%	52%	6%	13%
Clothing, Footwear, Accessories	25%	50%	7%	9%
Department Stores	1%	7%	17%	87%
Pharmaceutical & Other	24%	58%	8%	13%
	100%	38%	100%	23%

Source: Business Directory, Statistics New Zealand

The second MML conclusion raises the possibility that excessive capacity at Frankton, over and above demand from local population growth (which appears to be the mainstay of activity there at the moment) will pressure activities based in and better suited to a town centre to relocate there. It is accepted that undermining the centre by seeking to accommodate such activities on the town’s fringes would act against the economic well-being of the town as a whole if it were to take place.

In any case, they may not be compatible with a semi-industrial environment characterised by car-dependent large format retail, distribution, and lower order employment role (including trade services, wholesaling, and light manufacturing). The questions are whether higher order activities might be expected to take up excess capacity in Frankton as, in effect, a solution to a problem of over-zoning there, whether such a shift would undermine the growth of Queenstown as a quality tourism destination, and what is the appropriate planning response to such a prospect?

3.5 The Policy Framework

The MML report proposes a hierarchy primarily as a means of limiting, guiding, or controlling “further plan changes that may arise on Frankton Flats” and as a “framework within which

development focus can switch back to Queenstown District Centre” (pers. comm., January 2013). Adopting a hierarchy to shape the response to the oversupply of business land in Frankton and the physical constraints facing the town centre may be construed as seeking a generic framework where a framework based specifically on the centres in question may be more appropriate.

A simple centres-based policy might suffice without sacrificing flexibility. Apart from anything else individual centres are subject to particular circumstances shaping their potential for growth, decline, or transformation at any given time. Enforcing a hierarchy through regulations in a district plan leans towards reliance on fixed measures of scale rather than responding to changing business models, functions, and specialisations.

Ideally, regulatory constraints on the development of subordinate centres within a broad demand-based framework relate directly to their setting (physical, social, and economic) and form, not to where they sit in a hierarchy defined by function or scale of premises. Instead, environmental and building standards may be used to manage quality issues as well as policies to rationalise land development and demands on infrastructure services. Sequencing services based on infrastructure and demand triggers, for example, might be a suitable mechanism for ordering development.

This approach would (1) address directly the requirements of the town centre, extending the policy response to include a range of statutory and non-statutory measures intended to increase its capacity without raising the costs of investment, and (2) promote an integrated approach to the development of Frankton Flats which will support an orderly development process there consistent with its location and physical setting and building on its current functions without depending on transferring a significant share of businesses from the centre of the town to the periphery.

The relevant policies, together with those for local centres, residential, and infrastructure development could be reflected in a spatial plan for Queenstown as a whole. This approach would be largely compatible with the proposed Centres Chapter while providing the grounds for integrating this with arrangements for other areas and land uses within the reviewed plan.

APPENDIX B

**The Case for Zoning Additional Commercial Space in Queenstown Town Centre
Report to Queenstown Lakes District Council**

September, 2014

Attachment 1

The Case for Zoning Additional Commercial Space in Queenstown Town Centre

Report to Queenstown Lakes District Council

McDermott Consultants Ltd
in association with
Insight Economics Ltd

September 2014

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Summary

The objective of this study was to consider the rationale for expanding Queenstown Town Centre (QTC) as provided for under Proposed Plan Change 50 despite significant surplus land zoned for commercial purposes in the Frankton area. It examined whether functional differences between the two areas are sufficient to justify planning for the expansion of QTC regardless of commercial land capacity in Frankton. It is based on analysis of employment, demographic, accommodation, and building consent data covering the period 2006 to 2013.

While each centre depends heavily on consumer oriented services (58% of employees in QTC and surrounding commercial areas and 39% in Frankton) there are significant differences between them. QTC and surrounds (“central Queenstown”) have an emphasis on business services, while Frankton still has a significant industrial base (manufacturing, construction, transport and storage).

Retailing in Frankton has been growing more rapidly recently, however. This is based mainly on the large format and household goods store categories. In contrast, the town centre retail emphasis is on personal goods categories, including clothing and footwear.

QTC accounted for 52% of business services in 2013 and the balance of the central area for 24%, compared with Frankton’s 13% share. Business services in Frankton tend to be oriented towards industrial uses or general administrative services. QTC is marked by professional (legal and accounting), financial, and employment services, IT, and communications activities.

It is concluded that the centres fulfil different functions. Frankton remains the focus of light industry and is developing as a significant shopping centre in its own right with an emphasis on goods and services for households. QTC and the rest of central Queenstown still dominate total retail figures, but with a greater emphasis on sales of goods and services to individuals and on service employment which is more likely to have a district-wide orientation.

The mix of occupations that can be established from the 2013 census generally supports this differentiation. The majority of managers and professional are located and around in QTC. More machinery operators and drivers work in in Frankton. Sales and clerical workers are more evenly split although still favour QTC. Frankton acts as a large suburban or modest subregional shopping precinct while QTC provides specialist services to a wider catchment.

Even more significant than differences based on sectors and occupations is the concentration of tourism-oriented activities in QTC. These include cafes and restaurants, specialist retailing, and tourism services generally. This role, with Queenstown at the heart of regional if not South Island tourism, is highly distinctive. The quality of the town centre plays an important part in securing it. This is evident in the concentration of accommodation in and around QTC.

The different roles of Frankton and the town centre mean that Plan Change 50 has integrity regardless of the current state of commercial land supply in Frankton. There is substantially more economic activity in and around QTC. It is more diverse and more focused on the visitor facilities and services which underpin Queenstown’s growth. It also remains the centre of high order business and community services.

More generally, increasing capacity in the QTC Plan Change 50 should lift confidence and investment in QTC and provide a platform for continuing growth in Queenstown tourism generally. In this way it should help to secure the long-term residential growth necessary to sustain retailing and associated commercial investment in Frankton.

1. Background

McDermott Miller Strategies (MMS) reviewed the supply of business land in Queenstown Lakes District¹ (QLDC) and concluded that the outcome of recent planning practice in a strong growth environment has been:

“an oversupply of commercial and retail zoned land on the basis of a relatively dispersed pattern, particularly in the Frankton area, which may threaten the vitality of the Queenstown town centre by competing for the type of top-end activities which provide the underpinning of the District’s economic wellbeing” (p.104).

A Peer Review² endorsed the approach adopted by MMS to estimating business supply and demand prospects, but suggested that the proposed response to oversupply – *“managing the District’s centres on the basis of a hierarchical policy”* – could be modified to a simple centres-based policy which would *“treat each centre on its own merits with respect to its current and possible future functions”*. Among other things, *“this would highlight the district-wide role played by Queenstown town centre and its national significance as the heart of the alpine and adventure tourism product in New Zealand”* (p.i). This role was emphasised in the MMS report which demonstrated the significance of a strong tourism sector by projecting alternative rates of tourism development and associated employment growth.

MMS also identified the limited capacity of the town centre for further development as a constraint on tourism and economic development. Different approaches were identified for *“regaining a high-growth path”* in QLDC. Among these:

“The first involves focusing development on the industry in which the District has a clear competitive advantage – tourism. The tourism product would be intensified and new products (eg conference centres) would be concentrated in and around first Queenstown Town Centre and later Wanaka Town Centre” (p.64).

Consequently, QLDC has prepared a Plan Change (Proposed Plan Change 50) to rezone around 13.2 hectares, comprising the sum of the Lakeview site and adjoining Isle St and Brecon Rd sites on the western side of the CBD. The Proposed Plan Change is justified as follows:

The Queenstown economy is based around tourism, and the Queenstown town centre is widely acknowledged to be the key tourist centre of the District. It contains the majority of commercial accommodation facilities, restaurants, cafes and bars, casinos, major tourist attractions such as the Skyline Gondola and the “Earnslaw” steamer with strong connections to other principal tourist attractions of the District’s ski-fields, golf courses, internationally recognised scenic walks and cycle tracks.

....

Queenstown town centre is also the administrative centre of the District, containing the headquarters of the Queenstown Lakes District Council, the District Court, Queenstown Police Station, primary and tertiary education schools and a range of other central and local government activities and agencies.

¹ McDermott Miller (November 2013) *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy* Report to Queenstown Lakes District Council

² McDermott Consultants (January 2014) *Review of District Plan Business Zones Capacity and Development of Zoning Hierarchy* Peer Review undertaken for Queenstown Lakes District Council

It is also the commercial centre of the District where the majority of professional services (legal, accounting, insurance etc) are located, as well as most of the District's commercial and retail businesses. It is the largest centre of employment in the District. It is therefore an important centre for the local residents of Queenstown and its surrounds, and the distinctive feature of Queenstown is its walkability, both for visitors and residents" (p.ii).

With land in the town centre "at or near capacity" the Council has some concern that the existence of vacant business zoned land in the Frankton area is a threat to the town centre and consequently to tourism prospects, among other things. The grounds for this concern include the risk that more favourable conditions for investment in Frankton will attract retailing from the town centre and that this will prejudice its development, thereby undermining the tourism offering in the town. Conversely, it might be argued that the existence of surplus commercial land in Frankton means that there is no need to extend the town centre.

Consequently, the analysis reported here was commissioned to examine the proposition that the two centres – the town centre and the centres making up Frankton – can be differentiated in functional terms and are subject to different drivers of growth. If this is the case – and the analysis indicates that it is – the notion that land in Frankton can simply be substituted for land in the centre of Queenstown does not hold up and the extension of the town centre in the face of an apparent surplus of commercial land in and around Frankton can be justified.

2. Objective

The analysis reported here was undertaken to confirm (or otherwise) the rationale for expanding Queenstown Town Centre (QTC) through proposed Plan Change 50 by describing in some detail the functional differences between it and Frankton and to assess whether these are sufficient to justify treating their development independently.

3. Data and Definitions

Spatial Definition

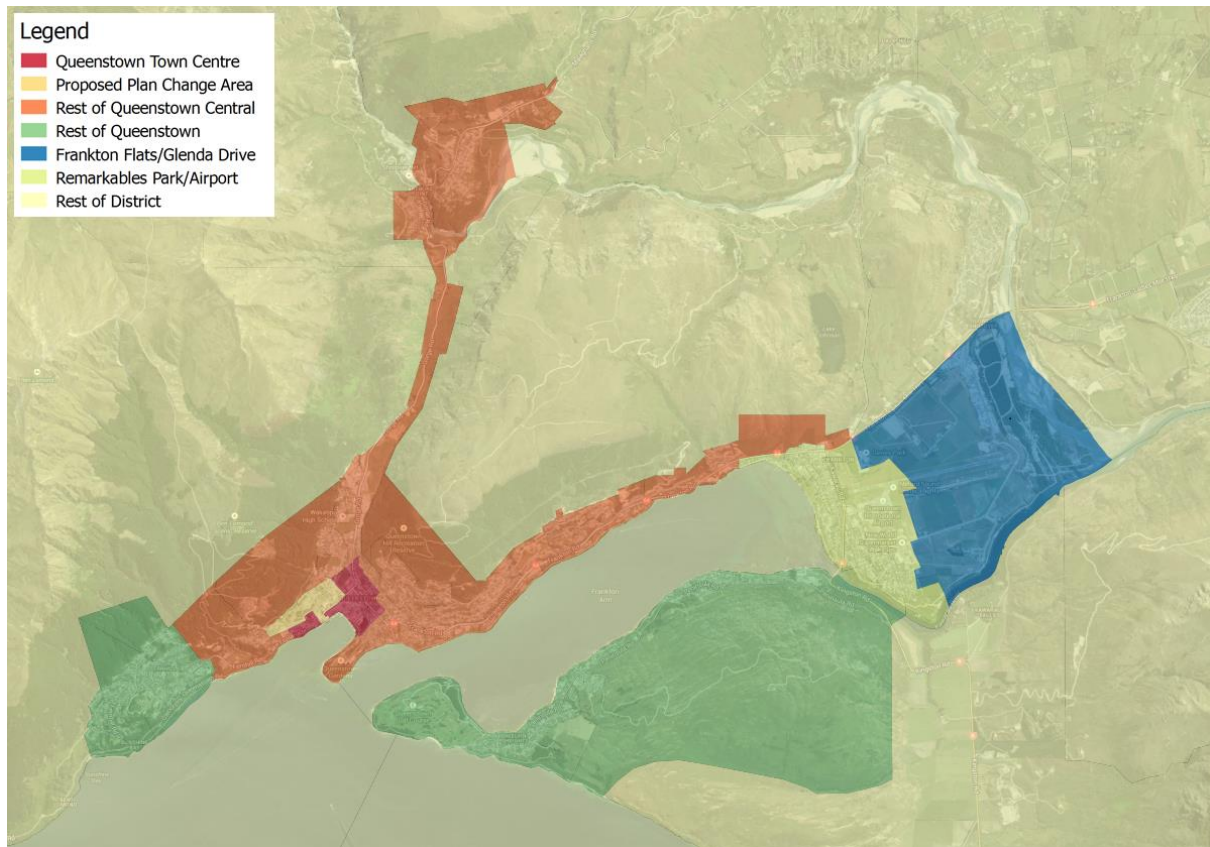
This is a desk study based on secondary sources.

The analysis is based on the comparison of development in and around Queenstown Town Centre and Frankton. It does not include the District outside Queenstown. The two commercial areas of interest can be represented for analysis as combinations of mesh blocks falling within the Queenstown and Frankton Census Area Units (CAU, Table 1). Two sub-areas (Flats-Glenview Park and Airport- Remarkables Park) are combined as "Frankton" for descriptive purposes, while the Plan Change Area is also identified in the following spatial schema (Figure 1). The composition of the focal areas and subdivisions by meshblock is provided in Appendix 1.

Table 1 Area Definition

District	Focus of this Study	Subdivisions	Census Area Units
Queenstown	Queenstown Central	Queenstown Town Centre (QTC)	Queenstown Bay Queenstown Hill
		Proposed Plan Change Area	Queenstown Bay
		Rest of Central Queenstown	Queenstown Bay Queenstown Hill Sunshine Bay
	Frankton	Rest of Queenstown Frankton Flats/Glenda Drive	Kelvin Heights Wakatipu

Figure 1 Town Centre and Frankton Commercial Areas - Spatial Reference



Data and Classification

The comparison between areas within Queenstown is based mainly on employment data from two sources. Jobs held by place of work from the 2013 and 2006 Censuses covering both sector of activity (Australia New Zealand Standard Industrial Classification 2006, ANZSIC) and occupation using the NZ Standard Occupational Classification (NZSOC). More detailed annual data by sector is available by workplace using the Statistics New Zealand Business Frame using the Australia New Zealand Standard Industrial Classification 2006 (ANZSIC). This covers the period 2000 to 2013 (February counts).

Sector information is subject to several levels of subdivision within an overall (high order) categorisation of activity based for present purposes on aggregating single digit ANZSIC categories (**Error! Reference source not found.**). The allocation of ANZSIC categories to the higher order sectors is based upon a mix of activity type and market orientation in the case of the various service sectors, although does involve cross-over between them. For example, financial and insurance services may equally the consumer (final demand) and business (intermediate demand) markets. Similarly, real estate services serve primarily the household sector, but may also serve business.

The primary sector and Other Services were omitted from analysis on the basis of very low numbers within Queenstown.

Further analysis was undertaken at the three digit level of classification within those higher order categories which have significant numbers of employees.

Table 2 Definition of High Order Sectors

High Order Sectors...	... include Single Digit ANZSIC06 Categories:
Primary Industries	Agriculture, Forestry and Fishing Mining
Secondary Industries	Construction Electricity, Gas, Water and Waste Services Manufacturing
Distribution	Transport, Postal and Warehousing Wholesale Trade
Business Services	Administrative and Support Services Financial and Insurance Services Information Media and Telecommunications Professional, Scientific and Technical Services
Consumer Services	Accommodation and Food Services Arts and Recreation Services Rental, Hiring and Real Estate Services Retail Trade
Government Services	Education and Training Health Care and Social Assistance Public Administration and Safety
Other Services	Other Services

4. Differentiating Economic Activity

The initial comparison is between the five principal sectors of activity described in Table 2: secondary industries (covering manufacturing, construction and utility services); distribution (storage and transport); business-oriented services; public services; and consumption activities (retailing, hospitality, recreation, arts, and culture, real estate and rentals). This highlights both differences and similarities among the centres.

On the similarities side, consumer services comprise the main activities in both QTC and in Frankton. 1,220 jobs in consumer services in Frankton in 2013 made up 39% of employment there (3,120 jobs) and contributed 17% to the Queenstown total (7,330 jobs; Table 3). The 2,910 jobs in consumer activities in QTC comprise 58% of jobs there and 40% of the Queenstown total, while 2,630 in the rest of central Queenstown they make up similar proportions.

Table 3 Employment Distribution, 2013

2013	Town Centre	Rest of Central Queenstown	Frankton	Rest of Queenstown	TOTAL
Employees					
Secondary Industries	140	470	550	130	1,290
Distribution	160	220	500	50	930
Business Services	1,320	610	320	280	2,530
Consumer Services	2,910	2,630	1,220	570	7,330
Government Services	390	440	400	30	1,260
Other Services	90	140	130	10	370
Total	5,010	4,510	3,120	1,070	13,710
Shares of Employment within Areas					
Secondary Industries	3%	10%	18%	12%	9%
Distribution	3%	5%	16%	5%	7%
Business Services	26%	14%	10%	26%	18%
Consumer Services	58%	58%	39%	53%	53%
Government Services	8%	10%	13%	3%	9%
Other Services	2%	3%	4%	1%	3%
Total	100%	100%	100%	100%	100%
Shares of Queenstown Employment					
Secondary Industries	11%	36%	43%	10%	100%
Distribution	17%	24%	54%	5%	100%
Business Services	52%	24%	13%	11%	100%
Consumer Services	40%	36%	17%	8%	100%
Government Services	31%	35%	32%	2%	100%
Other Services	24%	38%	35%	3%	100%
Total	37%	33%	23%	8%	100%

On the differences side, industrial activity accounts for the second largest employment activity in Frankton with the secondary sector and distribution jointly accounting for 34% of jobs there. These activities are negligible in the town centre (6% of jobs) where the second largest employment activity comprises business services, accounting for 26% of local jobs and 52% of the town's total in that category.

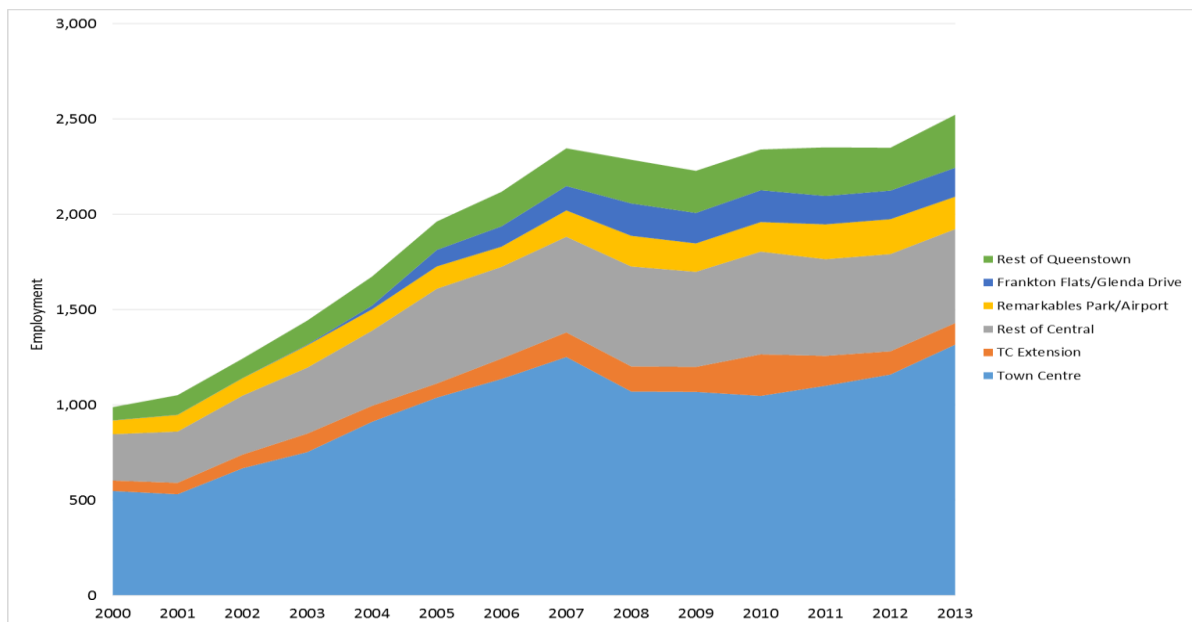
While Frankton dominates industrial employment the town centre dominates commercial and community employment. Central Queenstown as a whole accounted for 76% of the town's employment in business services, 76% of its consumer activities, and 66% of public services

The following sections looks at changes between 2006 and 2013 in the principle high order activities - - consumer, public, and business services -- and the distribution of subsectors within each.

Business Services

Employment in business services in Queenstown grew by 140% between 2001 and 2013. However, this growth was uneven over the period, running at 5.4% per year between 2001 and 2006 and a much slower 2.7% per year between 2006 and 2013. 44% of growth took place in QTC, 5% in the rest of Central Queenstown, and 27% in Frankton (Figure 2).

Figure 1 The Growth of Business Services



The distribution of business services defined at the 3-digit ANZSIC level confirms the dominance of QTC, where employment services (mainly labour placement), financial, professional (legal and accounting), and communication services (including publishing) are concentrated (Table 4).³ This concentration is supplemented by activities in the balance of the central Queenstown, particularly in advisory and professional services.

The only service activity in which Frankton dominates is equipment hire, an activity oriented to industrial activity and of limited size and growth. There are also significant numbers in architectural and engineering services (50 employees) and administrative services (40 employees) in Frankton.

There is a clear difference between QTC and Frankton in terms of service mix, the former being the focus of more specialised professional and business services, the latter housing services that supplement the industrial base. There is also a range of service activities located around QTC in the rest of central Queenstown.

³ For the detailed analysis of subsectors libraries and archives, real estate, and travel agencies are omitted from Business Services and included in the Consumer Services analysis.

Table 4 Distribution of Business Services

	Employment		Shares of Queenstown Total, 2013		
	2013	2006-13	Town Centre	Rest Central Queenstown	Frankton
Employment Services	381	80%	85%	9%	5%
Building Cleaning, Pest Control & Gardening	267	26%	0%	42%	6%
Architectural, Engineering & Technical	251	2%	35%	36%	21%
Management & Other Consulting	250	80%	44%	30%	12%
Financial Asset Investing	199	62%	39%	26%	22%
Legal & Accounting Services	173	9%	83%	12%	5%
Depository Financial Intermediation	147	24%	82%	5%	14%
Other Administrative Services	146	-21%	47%	17%	27%
Computer Systems Design & Related	96	153%	71%	7%	13%
Newspaper, Periodical, Book Publishing	72	-27%	85%	6%	10%
Motion Picture & Video Activities	60	2%	55%	13%	12%
Auxiliary Finance and Investment Services	37	48%	38%	46%	16%
Auxiliary Insurance Services	35	75%	66%	29%	3%
Other Professional, Scientific & Tech Services	33	-43%	30%	55%	9%
Other Goods & Equipment Rental	33	-6%	13%	13%	74%
Advertising	26	100%	42%	8%	42%
Radio Broadcasting	12	-65%	92%	0%	8%
Internet Service Providers	11	-59%	45%	45%	0%
Grand Total	2,229	24%	53%	33%	13%

Public Services

Public services have grown more rapidly than business services (up 147% over the decade), but involve fewer employees in total (1,200 compared with 2,230). Unlike business services, growth appeared to accelerate over the decade, with employment increasing by 7.6% a year between 2001 and 2006, and then by 11.3% through to 2013 (Figure 3).⁴

Public services are less geographically concentrated, reflecting the greater orientation of health and education services to population distribution. There are substantial shares in the Queenstown CAU, as well as significant growth in the Frankton area (Table 5).

The rapidly growing local government sector is concentrated entirely in QTC (Table 5) and was critical to sustaining employment growth there. Childcare services are also oriented towards the centre, and the entire but minor (in employment terms) justice sector is located there.

The balance of public services is widely distributed across the town. The exception is central government activity, which is concentrated in Frankton, reflecting the role of government agencies in aviation local service offices located in Remarkables Park.

⁴ The Local Government employee count for 2006 is unreasonably low (at 40 employees) so these figures need to be treated with caution

Figure 2 The Growth of Public Services, 2000-2013

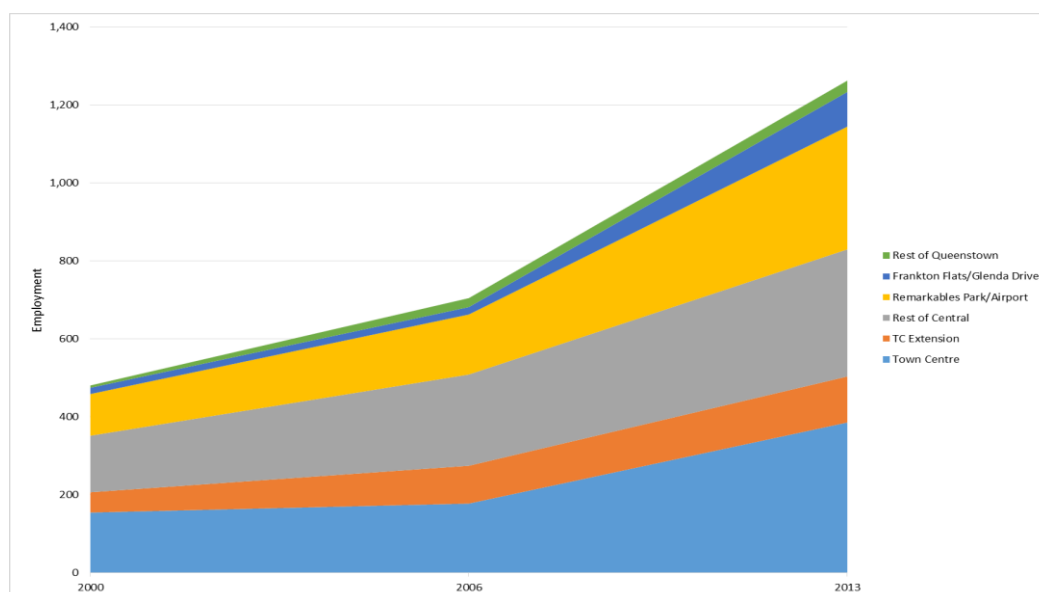


Table 5 Distribution of Public Services

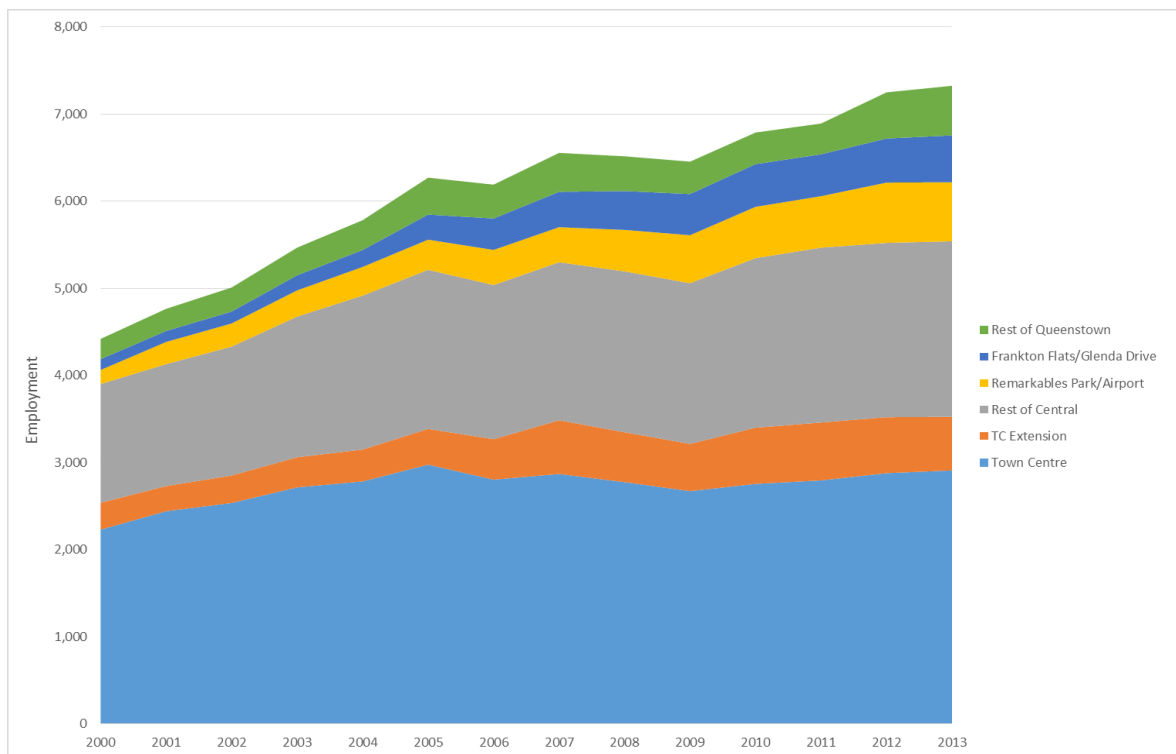
	Employment		Shares of Queenstown Total		
	2013	2006-13	Town Centre	Rest Queenstown CAU	Frankton
School Education	201	26%	3%	75%	21%
Public Order and Safety Services	178	154%	34%	34%	31%
Local Government Administration	158	276%	99%	1%	0%
Allied Health Services	118	55%	25%	33%	34%
Preschool Education	89	112%	20%	49%	30%
Hospitals	76	36%	0%	0%	100%
Adult, Community and Other Education	75	47%	12%	77%	9%
Medical Services	74	12%	0%	74%	24%
Other Social Assistance Services	55	450%	38%	42%	20%
Central Government Administration	53	212%	0%	0%	100%
Residential Care Services	41	32%	10%	0%	90%
Child Care Services	39	290%	49%	0%	10%
Other Health Care Services	15	-29%	0%	7%	93%
Regulatory Services	14	-13%	0%	29%	71%
Justice	10	900%	100%	0%	0%
Pathology and Diagnostic Imaging Services	8	-27%	0%	88%	13%
Total	1,206	78%	28%	37%	33%

Consumer Services

This category covers activities oriented towards final demand, many of them typically concentrated in shopping centres, although by no means all of them involve retailing. They grew rapidly through to 2006 but growth slowed after that, especially in QTC (Figure 4).

Some 40% of employment in these activities is located in the town centre, although only 23% of growth between 2000 and 2013 took place there. Another 11% took place in Proposed Plan Change area, and 22% across the balance of central Queenstown. 32% took place in Frankton, of which 18% was in the Remarkables Park/Airport zone and 14% in Frankton Flats/Glenda Drive.

Figure 3 The Growth of Consumer Services, 2000-2013



Very little growth took place in QTC after 2006, the café, restaurant and takeaway food sector being the exception.

Retailing

A closer look at the retail sector, omitting those categories with fewer than 10 employees in 2013, demonstrates the continuing dominance of QTC in most categories at the same time as it confirms the rapid growth of retailing in Frankton.

Table 6 highlights (in yellow) where each particular category was most concentrated in 2013. In addition, the area receiving the most growth in each subsector between 2006 and 2013 (which was limited in most categories) is highlighted (in grey).

Retailing employment in Frankton was based primarily on supermarkets, although clearly there is the capacity to develop significant additional personal and household retail categories around these anchor shops. While limited, Frankton also led growth in sports equipment, furniture, electrical and electronic goods, and appliances, categories which are based mainly on large format stores.

QTC increased its dominance in clothing and footwear retailing while the balance of the central Queenstown increased its share of employees in hardware and building supplies, and retained its dominance of furniture (although that is a small category).

In summary, the retail profiles of QTC and Frankton differ in significant ways. The figures suggest that the difference is increasing. The centre retains its dominance of retailing generally. However, Frankton is making inroads in the large format categories (which tend to be oriented towards household demand). In this respect Frankton is assuming a strong suburban retail function oriented to household needs, while QTC retains its presence in sectors with a focus on the individual. This focus suggests a more specialist form of retailing, favouring smaller, often higher added value stores which sit comfortably alongside cafes and restaurants, recreational, and entertainment venues.

Table 6 Distribution of Retailing

	Q'town Town Centre		Rest Central Queenstown		Frankton		Total		Share 2013			
	2013	2006 -13	2013	2006 -13	2013	2006 -13	2013	2006 -13	Town Centre	Rest Centra l	Frank- ton	Rest Q'tow n
Supermarket & Grocery Stores	81	17	71	-24	171	20	325	13	25%	22%	53%	1%
Clothing Retailing	222	73	18	-15	31	23	271	80	82%	7%	11%	0%
Sport & Camping Equipment	87	6	38	19	56	35	181	59	48%	21%	31%	0%
Other Store-Based Retailing	134	-9	19	-8	20	12	176	-8	76%	11%	11%	2%
Hardware & Building Supplies	0	0	65	26	61	-20	126	6	0%	52%	48%	0%
Specialised Food Retailing	48	14	35	0	33	22	116	29	41%	30%	28%	0%
Department Stores	0	-19	0	0	83	-4	83	-23	0%	0%	100%	0%
Pharmaceuticals & Cosmetics	37	0	7	-3	21	-2	66	-4	56%	11%	32%	2%
Furniture, Floor Coverings, Houseware	1	-6	36	-21	17	16	54	-12	2%	67%	31%	0%
Electrical & Electronic Goods	15	-12	1	0	36	19	53	7	28%	2%	68%	2%
Watches & Jewellery	43	-3	2	1	4	0	49	-2	88%	4%	8%	0%
Electrical/ Electronic & Gas Appliances	15	3	0	-1	32	15	48	17	31%	0%	67%	2%
Footwear Retailing	22	22	0	0	11	3	33	25	67%	0%	33%	0%
Newspaper & Book Retailing	17	-12	1	1	8	6	26	-5	65%	4%	31%	0%
Non-Store Retailing	11	11	1	0	1	1	15	9	73%	7%	7%	13%
Other Personal Accessory Retailing	12	-6	1	1	0	0	13	-5	92%	8%	0%	0%
Stationery Goods Retailing	8	8	0	0	4	4	13	13	62%	0%	31%	8%
Automotive:												
Fuel Retailing	1	0	42	-2	4	4	47	2	2%	89%	9%	0%
Motor Vehicle Parts Retailing	0	0	21	0	4	4	25	4	0%	84%	16%	0%
Motor Vehicle Retailing	0	0	18	4	2	2	20	6	0%	90%	10%	0%

Occupations

The Census records principal occupations according to workplace. Not surprisingly the central areas dominated the major occupations, covering management, professional, and service jobs in 2013. The largest concentration of sales jobs continues to be in QTC, but Frankton has experienced the strongest growth since 2006. Interestingly, labouring employment, a relatively small sector overall, was dominated by the rest of central Queenstown, while industrial occupations – machinery operators and drivers – are most concentrated in Frankton. However, the white collar jobs led growth in Frankton between 2006 and 2013, suggesting a broadening of activity there.

Table 7 The Distribution of Employment by Occupation

	Town Centre		Rest Central Q'town		Frankton		Total		Shares 2013		
	2013	2006-13	2013	2006-13	2013	2006-13	2013	2006-13	Town Centre	Rest Central	Frankton
Managers	537	69	489	39	324	114	1,440	240	37%	34%	23%
Professionals	384	51	393	87	333	150	1,155	318	33%	34%	29%
Community, Personal Service Workers	366	27	261	54	165	105	855	225	43%	31%	19%
Sales Workers	348	12	189	18	270	108	822	144	42%	23%	33%
Clerical & Admin.	267	-48	252	45	222	93	765	99	35%	33%	29%
Technicians & Trades	243	48	261	12	264	57	798	126	30%	33%	33%
Labourers	138	27	207	48	114	33	516	147	27%	40%	22%
Machinery Operators & Drivers	51	9	63	0	96	18	219	27	23%	29%	44%
Total Stated	2,343	195	2,322	306	1,839	669	6,996	1,299	33%	33%	26%

While the differentiation between the two areas is not as strong for occupations as it is for functions (at least not at the limited level of disaggregation available), it is consistent with the conclusions drawn from the sector data. QTC focuses more on higher order management, professional and administrative activities, while Frankton contributes most within the sales, technical and trades, and industrial (machinery operators and drivers) categories.

5. Comparing Retail Catchments

This section considers the characteristics of the population dwelling in the “natural catchments” of QTC and Frankton based on the 2013 Census. This draws on data using the 2013 Census Area Unit data. The 2013 CAUs differ from the earlier boundaries used for the employment data above (and building consents data, below). Arthurs Point was separated from Queenstown Hill. For present purposes the data for Queenstown Hill, as defined in 2013, was allocated according to meshblocks between those closest to QTC and those closest to Frankton. In addition, the rural areas and small towns to the north of Queenstown are identified as they are likely to patronise Frankton shops for household goods and groceries, although no formal modelling has been undertaken to verify this.

Population Distribution

The effective in-town catchment for QTC is nearly 50% bigger than that surrounding Frankton, and gained more residents between censuses (although at a slightly lower rate of growth). Frankton has the advantage of access to the non-urban catchment that lies mainly to the north of the town which, through the development of the Lake Hayes settlement grew the most rapidly (Table 8). However, there is likely to be significant capture of retail spending from these areas by QTC also, given that the difference in distance between Frankton and the town centre is likely to be less significant for people traveling from further afield. In addition, there is greater likelihood that such households will combine visits for personal services, entertainment, and eating out with visits for retail purposes, adding to the attraction of the town centre.

Table 1 Population Growth 2006-13, Town Centre and Frankton Catchments

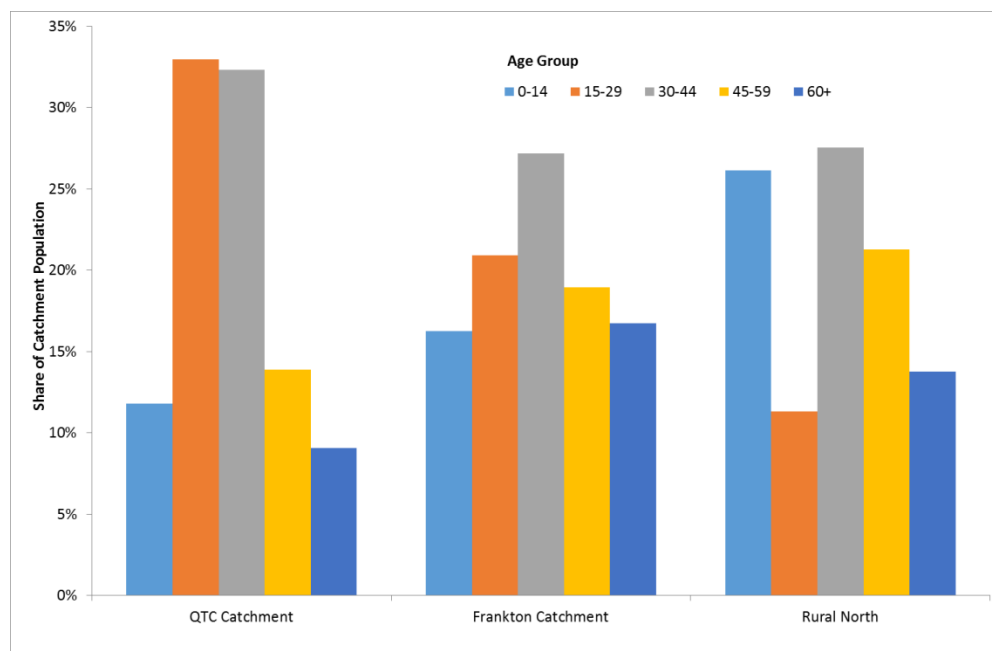
	Usually Resident Population			2006-2013	
	2006	2013	2013 Share	Number	%
Sunshine Bay	2,253	2,355	13%	102	5%
Arthurs Point	411	810	5%	399	97%
Queenstown Bay	1,878	1,962	11%	84	4%
Queenstown Hill					
QTC Component	1,977	2,100	12%	123	6%
QTC Catchment Total	6,519	7,227	41%	708	11%
Queenstown Hill					
Frankton Component	1,185	1,437	8%	252	21%
Frankton	1,785	1,827	10%	42	2%
Frankton East	396	639	4%	243	61%
Kelvin Heights	963	1,011	6%	48	5%
Frankton Catchment Total	4,329	4,914	28%	585	14%
Wakatipu Basin	963	1,104	6%	141	15%
Lake Hayes South	615	1,638	9%	1,023	166%
Jacks Point	189	297	2%	108	57%
Arrowtown	2,151	2,445	14%	294	14%
Rural North Total	3,918	5,484	31%	1,566	40%
Queenstown Catchment	14,766	17,625	100%	2,859	19%

In summary, as well as offering an environment amenable to the establishment of large format stores, retailing in Frankton will have benefited from the recent focus of residential growth on rural settlement, and in Lake Hayes and Arrowtown, the latter some 15km to the north.

Demographic Characteristics

Several demographic variables were examined to determine any possible differences in the nature of the catchments. For example, there is a significant difference in age structures. QTC catchment is dominated by young adults (Figure 5). More of the adults in Frankton are in the retirement and pre-retirement age group. The Rural North combines both family ages (the adults 30 to 44 and children categories) and the older adult pre-retirement and retirement age groups.

Figure 4 Age Structure of the Catchment Populations, 2013



Not surprisingly these age structures are reflected in family status. There are relatively more couples without children in the QTC catchment and families with children in the Frankton catchment (Figure 8). The difference is even more pronounced in the rural areas, where couples with children are the majority family category.

These contrasts point to a more mobile or transient population in the centre of Queenstown. This is confirmed by Census information regarding how long people have dwelt at their current (2013) address (Figure 7). A high 43% of Census respondents living in the QTC catchment had been there for less than a year. In fact, a high level of residential mobility generally is indicated by the numbers who have lived at their current address for between one and five years. A longer duration was most likely in the north. Nevertheless, the figures indicate that in an area of relatively rapid recent growth, the QTC catchment stands out as most transient. This is confirmed by the high share of the population there that had been living overseas five years earlier: 35% in the QTC catchment, 17% in Frankton, and 8% in the rural north.

Figure 5 Family Status of Catchment Populations, 2013

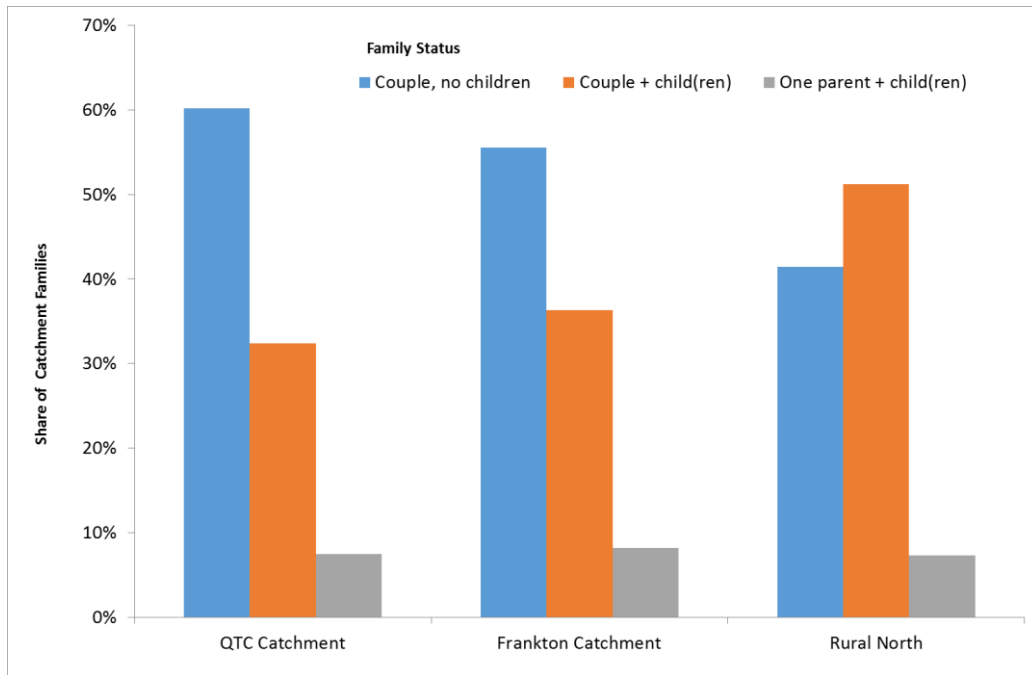
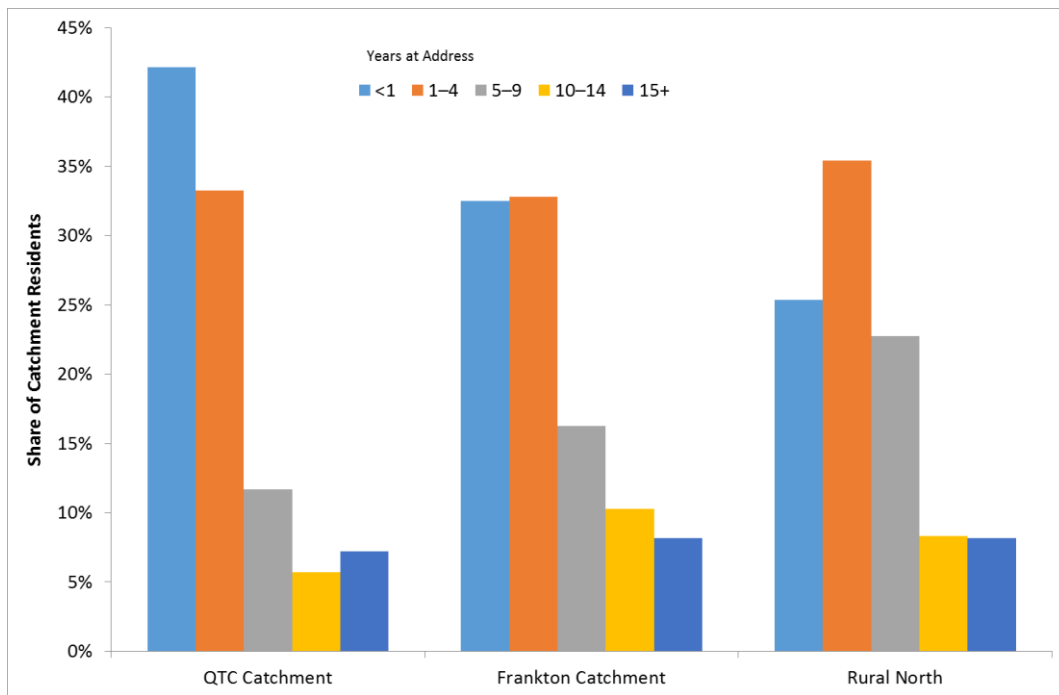
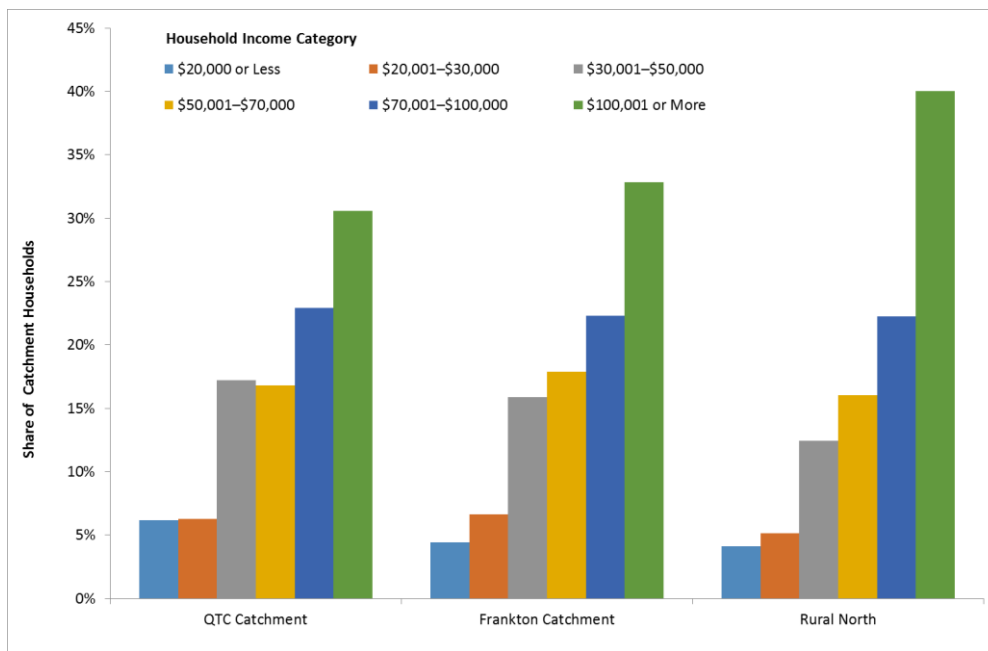


Figure 6 Years Dwelt at the Usual 2013 Address



Analysis of household income distribution within catchments reveals limited but significant differences (Figure 8). The rural north and, to a lesser extent, Frankton catchments have a larger share of households in the top income category (over \$100,000 a year). This is reflected in estimated median household incomes: \$75,400 in the QTC catchment compared with \$80,000 in the town centre catchment and \$88,000 in the Rural North.

Figure 7 Household Income Distribution by Catchment, 2013



It can be concluded that at the catchment wide level retailing in Frankton the greater presence of families and older households (in relative terms) reflects a more settled population with generally higher incomes. These characteristics appear even stronger in the rural catchment to the north.

By contrast, the QTC catchment is marked by a relatively more transient population, a higher share of younger adults, fewer families with children, and fewer high income households in the residential mix. These differences and the concentration of tourism accommodation in and around the town centre are likely to shape a quite different retail and service mix in each centre.

Residential Distribution

The pattern of recent residential development can be seen in the distribution of new dwellings. This is based on analysis of building consents issued between 2006 and 2013, again divided by CAU between those which fall into a “Frankton” catchment and those that are closer to the town centre (Table 9).⁵ There have been almost twice as many houses consented in the Frankton catchment, almost two thirds of the total.

At the same time, a large share of the gain in the Frankton catchment comes from the predominantly rural Wakatipu CAU and Arrowtown, confirming the likely reliance of retailing there on the rural and small town households north of Queenstown. Nevertheless, this pattern of development helps explain the more rapid growth of retailing in Frankton, and its focus on categories dependent on household purchasing.

At the same time, the data indicate a tendency towards larger dwellings in Frankton over the period (230sqm average, compared with 180sqm in the town centre catchment). However, the average value of construction per square metre is higher in the town centre area at \$1,975 compared with \$1,770 in Frankton. Again, this is consistent with relatively more family homes built in the Frankton catchment.

⁵ The figures underestimate the Frankton catchment and overestimate the town centre catchment figures because the northern most dwellings in Queenstown Bay are closer to the former than the latter. The consents data cannot be divided between the two, however. However, population growth suggests this could be 67% of consents issues in the CAU.

Table 2 The Distribution of New Dwellings, 2006-2013

New Dwellings	2006-13	Share	Ave Sqm	\$/Sqm
Wakatipu	872	45%	256	1,739
Arrowtown	123	6%	225	1,629
Lake Hayes	46	2%	353	2,085
Kelvin Heights	128	7%	232	2,039
Frankton	67	3%	230	1,549
Frankton Catchment	1,236	64%	253	1,767
Queenstown Bay	256	13%	157	1,622
Queenstown Hill	355	18%	188	2,150
Sunshine Bay	76	4%	219	2,130
Town Centre Catchment	687	36%	180	1,975
Total	1,923	100%	227	1,826

6. Tourism

This section addresses the relative significance of tourism demand within Queenstown through reference to the distribution of tourism-related investment.

The Hospitality Sector

An analysis of the distribution of employment in hospitality demonstrates a stronger contrast between Frankton and the town centre (Table 10) than evident in the retail sector (Table 6). This contrast is reinforced if the town centre and surrounding central area are considered together, demonstrating the distribution of accommodation around the central core (Figure 8).

Frankton does offer some accommodation, though there was a slight decline in jobs there between 2006 and 2013. This was more than offset by the strong growth in the balance of Queenstown.

Frankton recorded growth in catering services, but the town centre still dominates cafes and restaurants and has experienced the strongest growth in that category since 2006, confirming its role as a key destination for entertainment and recreation purposes for visitors (and locals).

Table 3 The Distribution of Hospitality Employment, 2013

	Queenstown Town Centre		Rest Central Queenstown		Frankton		Rest of Queenstown		Share 2013			
	2013	2006-2013	2013	2006-2013	2013	2006-2013	2013	2006-2013	Town Centre	Rest Central Q'town	Frankton	Rest Q'town
Accommodation	497	-59	1,171	218	17	-7	301	102	25%	59%	1%	15%
Cafes, Restaurants	719	86	278	67	130	41	19	-8	63%	24%	11%	2%
Catering	0	0	22	21	33	16	39	13	0%	23%	35%	41%
Pubs/Taverns	219	67	85	11	48	38	21	21	59%	23%	13%	6%
Takeaways	159	56	19	11	8	-3	1	0	85%	10%	4%	1%
Total	1,594	150	1,575	328	236	85	381	128	42%	42%	6%	10%

The relatively widespread distribution of accommodation is demonstrated in Figure 9 which, as well as a concentration in and around the town centre, reflects a preference for lake-side and lake-view sites close to the centre. This distribution of accommodation is consistent with a town centre retail profile that leans towards categories that cater for individuals more than households.

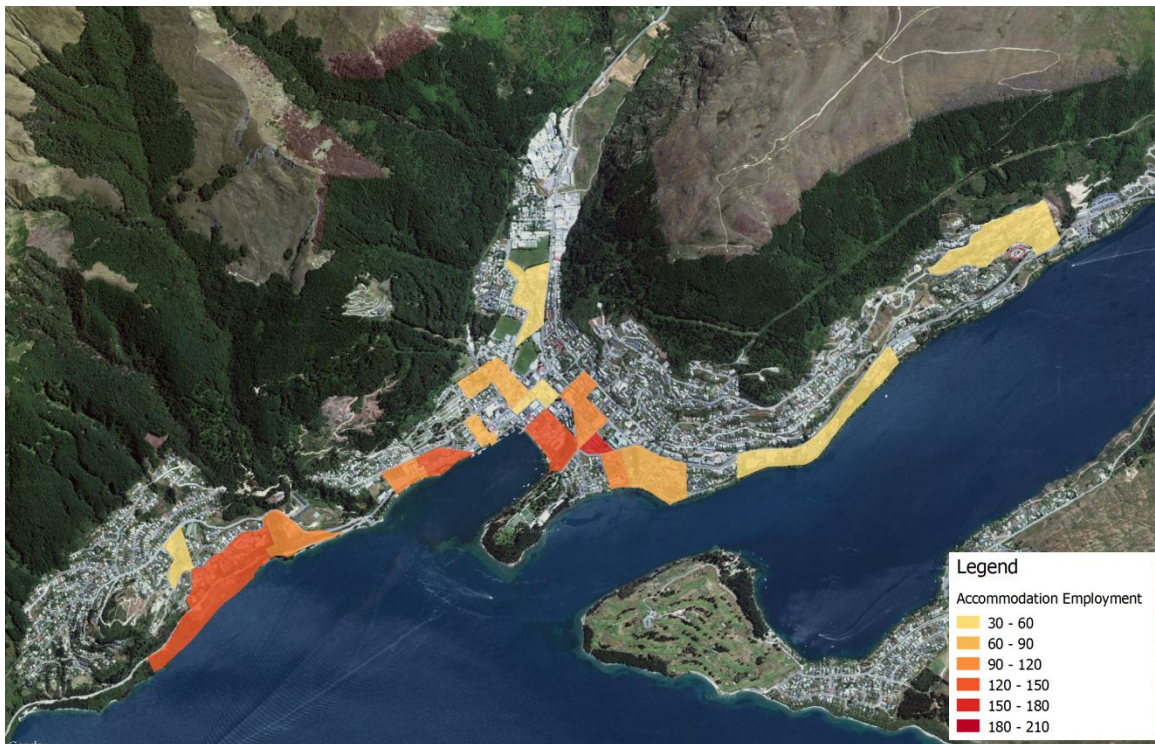
Visitor Facilities

This tourism focus is confirmed by analysis of the distribution of other visitor oriented activities. These have been defined on the basis of activities other than retailing and accommodation that distribute to or interact directly with visitors at the point of delivery.

(They do not account for indirect income or employment effects covered by the Tourism Satellite Accounts prepared by Statistics New Zealand. These record the intermediate demand generated among suppliers to the tourism sector and the demand from the expenditure by tourism employees. These indirect and induced effects can take place outside the catchments under consideration and are subject to leakage beyond QLDC and Central Otago).

Those ANZIC06 categories that reflect activities dealing directly with tourists have been identified and the distribution of employment and geographic units (business units) derived from the Statistics New Zealand Business Demography tables.

Figure 8 The Distribution of Employees in Accommodation, Queenstown 2013



Jointly the town centre and the rest of Queenstown Central dominate (Table 4), although there are nevertheless activities spread throughout the town. Unsurprisingly, with the airport and its transport and storage functions, Frankton does have a range of vehicle hire and sightseeing outlets although in 2013 only 17% of all jobs in this group of activities were located there compared with 39% in the town centre and 34% in the rest of Queenstown Central.

Table 4 The Distribution of Tourism Oriented Business Units

	Town Centre		Rest Central Q'town		Rest Q'town		Frankton	
	2006	2013	2006	2013	2006	2013	2006	2013
Employment'								
Amusement & Other Recreation	13%	28%	13%	10%	70%	53%	3%	9%
Creative Performing Arts	6%	50%	18%	15%	74%	30%	3%	4%
Motor Vehicle Rental	39%	59%	1%	2%	4%	7%	56%	33%
Museum Operation	100%	100%	0%	0%	0%	0%	0%	0%
Road Passenger Transport	12%	12%	13%	19%	51%	32%	24%	37%
Scenic & Sightseeing Transport	45%	48%	5%	9%	19%	30%	30%	13%
Sport & Physical Recreation	1%	61%	14%	11%	17%	19%	68%	9%
Share of Queenstown	23%	39%	9%	10%	36%	34%	31%	17%
Total Employees	250	365	99	96	385	315	333	156
Business Units								
Amusement & Other Recreation	11%	16%	27%	21%	49%	53%	13%	9%
Creative Performing Arts	12%	9%	27%	27%	54%	59%	8%	5%
Motor Vehicle Rental	42%	23%	10%	7%	19%	27%	29%	43%
Museum Operation	100%	100%	0%	0%	0%	0%	0%	0%
Road Passenger Transport	25%	50%	0%	0%	75%	50%	0%	0%
Scenic & Sightseeing Transport	8%	26%	21%	17%	33%	26%	38%	30%
Sport & Physical Recreation	22%	8%	22%	17%	43%	58%	13%	17%
Share of Queenstown	20%	18%	21%	17%	41%	45%	19%	21%
Total Business Units	31	26	32	25	63	65	29	30
Average Employment/ Unit	8	14	3	4	6	5	11	5

Comparing the distribution of business units and employees indicates the larger average establishment size there than in other parts of the town, confirming its more substantive nature.

Accommodation

While employment numbers indicate the broad distribution of accommodation, the Commercial Accommodation Survey conducted by Statistics New Zealand enables monitoring of capacity in terms of unit capacity. The figures across the year ending June 2014 confirm the dominance of the central Queenstown (Table 5). Some 82% of hotel capacity and 97% of motel capacity in the area covered by Queenstown and the surrounding Wakatipu area is found in the centre, with the majority in Queenstown Hill CAU.6

Table 5 Distribution of Accommodation Capacity, 2014

	Hotels				Motels			
	No.	Stay Units*	Share	Ave Size**	No.	Stay Units*	Share	Ave Size**
Queenstown Bay	131	12,434	33%	95	197	4,716	33%	24
Queenstown Hill	131	15,418	41%	118	306	9,273	64%	30
Sunshine Bay	36	2,952	8%	82	24	24	0%	1
Central	298	30,804	82%	103	527	14,013	97%	27
Kelvin Heights	24	3,816	10%	159	0	0	0%	0
Frankton	0	0	0%	0	24	384	3%	16
Frankton	24	3,816	10%	159	24	384	3%	16
Total Queenstown	322	34,620	93%	108	551	14,397	99%	26
Wakatipu	48	2,766	7%	58	12	48	0%	4
Arrowtown	24	0	0%	0	60	60	0%	1
Total	370	37,386	100%	101	623	14,505	100%	23

Note: * Stay Units comprise the total number of rooms available.

** Average size is stay units per establishment

The distribution of recent investment in accommodation has been examined using building consent data covering the period 2006 to 2013. While this does not account for the numbers of units in new developments, the area and value of investment indicate where the greatest increments or enhancements of capacity have taken place.

The construction of the Kawarau Hilton Hotel in the Kelvin Heights area dominates the value of new construction during a period where little capacity was otherwise added outside the traditional Queenstown Hill centre of tourist accommodation (Table 13). At an assumed average of 60sqm per room (including common areas) this would be the equivalent of around additional 700 units in Frankton (Kelvin Heights) and 600 in Queenstown Central. The impact on the distribution of overall capacity (34,620 hotel stay units) is slight.

Refurbishment and extensions (represented by building consents for additions and alterations) were greater in the central area where, consequently, a slight majority of investment in tourism took place between 2006 and 2013. The relatively high level of alterations in the centre relative to new construction may reflect both the age of much of the existing tourism accommodation and the limited number of sites available for new development. The latter is an issue that the Proposed Plan Change should correct, at least for the immediate future.

⁶ The accommodation data is not available by mesh block so a further refinement of areas is not possible.

Table 6 Investment in Accommodation, Building Consents 2006-13

	New				Alterations			Total Investment	
	No.	Area		Value	No.	Value		\$m	% Share
		Sqm	% Share	\$m		\$m	% Share		
Wakatipu	5	858	1%	\$2.18	11	\$4.4	18%	\$6.55	5%
Arrowtown	3	1,227	2%	\$1.68	8	\$0.6	2%	\$2.24	2%
Kelvin Heights	10	36,201	46%	\$38.13	12	\$4.5	19%	\$42.65	35%
Frankton	1	4,500	6%	\$6.50		\$0.0		\$6.50	5%
Frankton Catchment	19	42,786	54%	\$48.50	31	\$9.4	40%	\$57.94	48%
Queenstown Bay	7	4,344	6%	\$7.14	29	\$8.1	34%	\$15.24	13%
Queenstown Hill	9	31,426	40%	\$41.65	24	\$6.1	26%	\$47.79	39%
Sunshine Bay	0		0%	0.00	1	\$0.1	0%	\$0.10	0%
Town Centre Catchment	16	35,770	46%	\$48.79	54	\$14.3	60%	\$63.13	52%
Total	35	78,556	100%	\$97.29	85	\$23.8	100%	\$121.07	100%

In conclusion, this review of tourism activity and investment demonstrates a strong orientation to central Queenstown and a focus on QTC. While there has been some investment as a result of the development at Kawarau to the east, this is limited in the number of units added relative to current capacity and does little to shift the strong focus on the town centre.

7. Conclusion

The evidence in this report supports Proposed Plan Change 50 by demonstrating the different roles of Frankton compared to QTC and central Queenstown generally. There is substantially more economic activity in and around the centre. It is more diverse and more focused on visitor facilities and services. It remains the centre of high order business and community services for the District.

The Changing Nature of Retailing

The town centre remains at the heart of Queenstown retailing, although there is clearly a shift in the balance between the centre and Frankton: 75% of the net gain in retail jobs between 2006 and 2013 occurred in Frankton. Some of this may have come at the cost of the rest of central Queenstown, although retailing in the town centre continued to expand.

The growth of retailing in Frankton is unsurprising, especially as it has been distinguished by larger stores geared towards household demand. There are two obvious drivers of this.

First, the patterns of population growth in and around Queenstown have been supportive. Although recent growth has remained stronger in the QTC catchment area than in the Frankton catchment, the latter has been favoured by expansion to the north of the town. Growth there will also have been shaped by the greater preponderance of family households and slightly higher income mix of both the northern and eastern parts of Queenstown itself and the rural north.

Second, recent changes in retailing reflect more generally the dynamics of contemporary retail investment. These are based on two parallel developments in the retail business model. The move towards decentralised, integrated retail centres accommodates branded stores that no longer need rely on centrality as the basis for access to their suburban customers. At the same time, changes in the economics of production and distribution (underpinned largely by internationalisation) have seen the proliferation over the past two decades of large format retailing in suburban and urban edge sites. Both business models favour suburban localities based on a lower price of entry, the economics of assembly and distribution of goods at larger integrated sites, and customer convenience associated with multiple stores and brands in a confined and easily accessed area.

These population and retail investment trends will no doubt see the further expansion of retailing in Frankton, although this will be subject to the vagaries of residential growth in the eastern part of Queenstown and in rural and small settlements to the north.

On the other hand, the town centre will continue to be favoured by the distribution of the existing population, the concentration of tourist accommodation and focus of tourism activity there, and by the capacity to sustain higher value retailing of personal and fashion items.

Competition between Frankton and the Town Centre?

If there has been an over-estimation of the rate of population growth and retail demand in the zoning of commercial land in Frankton the investment provided for there may be some time coming, as suggested by the MMS report. In that case, local investors and landowners may choose to challenge Proposed Plan Change 50 in the hope of diverting more specialised retailing, services and tourism investment to commercial land in Frankton from a town centre that because of development constraints currently offers limited opportunities for new investment.

However, the analysis described above illustrates fundamental differences in the role of central Queenstown and QTC relative to Frankton. Apart from differences in the mix and form of retailing and services, the town centre stands out as the heart of tourist activity, activity that has spilled into the surrounding areas.

Those areas are important for the tourism accommodation they offer and the demands this makes on visitor activities in the town centre. As the accommodation sector develops – through refurbishment and redevelopment, as well as new ventures in and around the centre – ancillary tourist services, entertainment, retail, and hospitality functions will continue to seek out and expand in sites in the town centre provided the capacity is there.

Given the distinctive role of the town centre there is thus no guarantee that prospective investment in tourism-related ventures in the centre of Queenstown, if frustrated by the absence of suitable available land there, will substitute a location in Frankton.

There has been some, albeit limited, growth of visitor oriented activity in Frankton. This is dominated by a major hotel, the Kawarau Hilton on the eastern side of the lake. Other visitor activity is very much centred on the presence of the airport and associated ground services. (In 2013 there were around 150 people involved in the airport and air transport sector).

The Future of the Town Centre

Provided the opportunities are available for investment in and around the town centre there are no obvious reasons to expect the expansion of tourism in Frankton to match, rival, or substitute for the centre in the foreseeable future. If implemented, Plan Change 50 will ensure that the capacity exists in the part of the town most favoured by and favourable for tourism development.

An apparent slow-down in tourism growth in central Queenstown in the past decade may reflect the difficulty of expanding there (as well as the impact of the GFC on arrival numbers generally). The proposed Plan Change should boost growth by increasing confidence and promoting new investment in QTC. Given that Frankton retailing is most likely to respond to demand associated with local population growth the prospects for any surplus commercial land there will be enhanced to the extent that investment in the centre sustains tourism as the town's principal income earning activity and thereby provide the foundation for continuing population growth generally.

At the same time there is no reason to expect the growth of retailing in Frankton will be to the long-term detriment of the town centre. For a start, the centre will remain the retail destination of choice for many households. For a majority of residents it is still closer than Frankton. The central retail offering is likely to continue to be distinctive in its focus on the individual, including personal goods, apparel, and accessories, categories that also attract visitor spending.

Any contraction in central retailing is likely to be from categories requiring more space rather than higher value retailing. In any case, a contraction in retail floorspace, especially in lower productivity stores or stores occupying extensive, high value sites, creates opportunities for higher value activities to occupy the space, often following the sort of refurbishment necessary to sustain a buoyant centre. The issue is not therefore about competition for finite investment in a "zero sum" game. Rather, it is a matter of creating an environment that will stimulate a new round of investment in tourism activity generally.

The resulting retail, service and entertainment mix should continue to make the town centre a preferred destination for out-of-town QLDC (and Central Otago) residents as well as for domestic and international visitors. And the slightly younger and more transient component of the local population – which tends to be concentrated in the centre – will continue to be attracted to and support the density of eating and entertainment venues in QTC which make it attractive to visitors.

The Role of the Proposed Plan Change

Any challenge to Plan Change 50 that might be contemplated by investors with interests in Frankton is more likely to reflect issues around oversupply of retail capacity there and a search for alternative uses rather than the preferences of investors in commercial services and tourism for a Frankton site. From the point of view of the uptake of that land, however, it is likely to be counter-productive if Plan

Change 50 is not implemented because the currently limited capacity of the town centre is likely to constrain tourism growth and consequently impede the growth of Queenstown generally.

In conclusion, the main economic impact of Plan Change 50 will be to boost to the town centre by facilitating further accommodation and associated tourism investment. It will also provide additional residential capacity for a local community in support of that growth. This is likely to include young people in non-family households or families without children attracted to the opportunities to work in tourism as well as to the wider service sector in an attractive town centre.

Appendix: Spatial Reference

District	Focus of this Study	Subdivisions	Census Area Units	Mesh Blocks
Queenstown	Queenstown Central	Queenstown Town Centre	Queenstown Bay Queenstown Hill	3032701, 3032800, 3032900, 3033301, 3033400, 3033500, 3033600 3033700, 3033800, 3033900
		Extended QTC	Queenstown Bay	3032501, 3032502, 3032702, 3033000, 3033100
		Rest of Queenstown Central	Queenstown Bay Queenstown Hill Sunshine Bay	3032502, 3032502, 3033000, 3033100, 3032300, 3032400, 3032600, 3033201, 3033302, 3038102, 3038202, 3038209, 3038224, 3038225, 3038226, 3038211, 3039402, 3039504 3033203, 3033204, 3033205, 3034000, 3034100, 3034201, 3034202, 3034300, 3034401, 3034402, 3034500, 3034600, 3034700, 3034800, 3038207, 3038222, 3038223, 3038213, 3038214, 3038215, 3038216, 3038217, 3038218, 3038221 3039523, 3039524, 3039525, 3039508, 3039510, 3039511, 3039512, 3039514, 3039518, 3039519, 3039520, 3039521, 3039522
	Frankton	Rest of Queenstown	Kelvin Heights	3040104, 3040105, 3040106, 3040107, 3040111, 3040112, 3040113, 3040114, 3040115, 3040116, 3040117, 3040109, 3040110
		Frankton Flats/Glenda Drive	Wakatipu	3038309
Rest of District			Wakatipu Lake Hayes Arrowtown Glenorchy Wanaka Matukituki Hawea Inland Water-Lake Hawea Inland Water-Lake Wanaka Inland Water-Lake Wakatipu	Balance