

13 November 2024

██████████
██████████
Sent via email to ██████████

RE: LG24-0244 - Expenditure on Civic Projects and Property Acquisitions

Dear ██████████,

REQUEST FOR OFFICIAL INFORMATION – PARTIAL RELEASE OF INFORMATION

Thank you for your request for information held by the Queenstown Lakes District Council (QLDC). On 10 October 2024 you requested the following information under the Local Government Official Information and Meetings Act 1987 (LGOIMA):

1. **A breakdown of the financial costs related to Project Manawa, including but not limited to:**
 - a. **The development and consultation phases.**
 - b. **The partnership with Ngāi Tahu Property.**
 - c. **The estimated costs of the proposed civic and commercial buildings, including the Council's new administrative headquarters.**
 - d. **Copies of all financial analyses or cost-benefit assessments conducted to justify the construction of new council offices on Stanley Street.**
 - e. **Details of alternative sites considered for the new council headquarters, including any analysis on existing commercial real estate that was evaluated for possible use instead of new construction.**
 - f. **Documentation of the council's rationale for moving forward with Project Manawa despite public opposition and feedback received during the consultation process.**
2. **A breakdown of the total costs incurred by the Lakeview Development project to date, including projected future costs.**
 - a. **Documentation related to any external audits, reviews, or evaluations conducted on the financial management of the Lakeview Development project.**
3. **Financial details of the \$16 million purchase [of 516 Ladies Mile], including:**
 - a. **Valuation process and independent assessments obtained prior to the purchase.**
 - b. **Intended use of the site and plans for development or resale.**
4. **Justification for maintaining three separate public library buildings in Queenstown and Arrowsmith.**
 - a. **Any plans to consolidate or repurpose these spaces.**
5. **Copies of reports or advice provided to elected members on Project Manawa and the Council headquarters.**
 - a. **Details of any consultation with local businesses, organisations, and former mayors regarding these developments.**

QLDC RESPONSE

Partial release of information

To address your request, we consulted the QLDC Strategic Projects Team the QLDC Property Team and the QLDC Library Services Team who assisted in providing the following response:

1. **A breakdown of the financial costs related to Project Manawa, including but not limited to:**
 - a. **The development and consultation phases.**
 - b. **The partnership with Ngāi Tahu Property.**

The total expenditure for Project Manawa to date amounts to \$1,754,500. Given the multi-faceted nature of the project, which spans various stages, departments, and external partnerships, it can be challenging to break down the costs into discrete categories. Many of the costs are interdependent and spread across different phases, making it difficult to fully isolate individual contributions. However, the figure provided encompasses the full scope of spending since 2016.

- c. **The estimated costs of the proposed civic and commercial buildings, including the Council's new administrative headquarters.**

The estimated capital expenditure (capex) for Council's new administrative building, as outlined in the QLDC Long Term Plan 2024-2034, is \$60.7 million. There are no other commercial buildings being considered by Council. There would be opportunity for NTP to develop other commercial buildings on the site, but no estimates have been provided for that at this time.

- d. **Copies of all financial analyses or cost-benefit assessments conducted to justify the construction of new council offices on Stanley Street.**

QLDC has commissioned [three independent cost-benefit assessments](#) to support the decision to construct new council offices on Stanley Street. These assessments have been made available with minimal redactions. The rationale for withholding certain information is outlined below.

Please note that the enclosed link will expire on 8 December 2024, 11:56 AM.

- e. **Details of alternative sites considered for the new council headquarters, including any analysis on existing commercial real estate that was evaluated for possible use instead of new construction.**

Section four of the [Indicative Business Case](#) outlines the critical success factors for the project, generates a broad range of potential options, and conducts an initial assessment to narrow these down to a shortlist. It then identifies the preferred approach and investment option that offers the best value for money.

Additionally, updated information regarding the existing commercial real estate can be found in section five of the *CAB Commercial Workshop 4 April 2023* document, which was provided in response to question 1.d.

Please note that the enclosed link will expire on 13 December 2024, 9:07 AM.

f. Documentation of the Council’s rationale for moving forward with Project Manawa despite public opposition and feedback received during the consultation process.

A report on the [Project Manawa Hearing Panel Deliberations](#) was presented as agenda item one at the Full Council workshop on 4 April 2024. Details of the motions can be found on pages 2-7 of the [Meeting Minutes](#), which have been made available with minimal redactions. The rationale for withholding certain information is outlined below.

Please note that the enclosed link will expire on 7 December 2024, 12:17 PM.

2. A breakdown of the total costs incurred by the Lakeview Development project to date, including projected future costs.

a. Documentation related to any external audits, reviews, or evaluations conducted on the financial management of the Lakeview Development project.

A breakdown of the total costs incurred by the Lakeview Development project to date can be found below:

Workstream	Cost to Date (\$m)	Forecast Cost to Complete (\$m)	Adjusted Forecast (\$m)
Subdivision projects	36	5	41
Site clearance - subdivision	12	1	13
Site clearance - ancillary	2	0	2
Ancillary projects	16	0	16
Total Capital Works	66	6	72

The Audit, Finance and Risk Committee, comprised of both external members and Councillors, is scheduled to meet quarterly. The Lakeview Development project is a standing agenda item whereby the project financial management is reviewed and evaluated. You can find all historic agendas and confirmed minutes for meetings of the Audit, Finance and Risk Committee [here](#).

3. Financial details of the \$16 million purchase [of 516 Ladies Mile], including:

a. Valuation process and independent assessments obtained prior to the purchase.

The valuation process of 516 Ladies Mile was comprehensive and involved several key steps to ensure the accuracy and fairness of the transaction. This process involved obtaining independent assessments from professional appraisers, conducting a detailed financial analysis, and reviewing comparable market data. For full financial details of the purchase, including the valuation reports and supporting documentation, please refer to this [link](#).

Please note that the enclosed link will expire on 8 December 2024, 3:30 PM.

b. Intended use of the site and plans for development or resale.

The original development plans from 2019 and 2020 included a park-and-ride facility and sports fields. Following the acquisition, an investigation was launched to explore the possibility of retrofitting the existing property into a community centre. However, this option proved to be cost-prohibitive for a temporary structure, leading to a pause in the project until further direction was provided by the Council.

Through the Long Term Plan 2023-2034, the Council brought forward \$5 million into Year 2 and 3 to establish community facilities for the Ladies Mile area at 516 Ladies Mile.

4. Justification for maintaining three separate public library buildings in Queenstown and Arrowtown.

a. Any plans to consolidate or repurpose these spaces.

Arrowtown and Queenstown Libraries were established well over one hundred years ago and library services in both locations have been supported and advanced by various community groups and Councils to the current day. The Frankton Library was established in 2018 in response to community demand.

- The Queenstown Library was established in 'The Camp' as the town was then known, in 1876. The Library moved into the current Gorge Road premises on 5 June, 1999.
- The Arrowtown Public Library was established in 1868. A new library was opened in 1984 and continues to occupy the same premises at Buckingham Street in 2024.
- The Queenstown Lakes District Council consulted on the development of a new library at Frankton in 2015. A pop-up library at the Queenstown Events Centre tested the demand for a library at Frankton and was an immediate success. The Frankton Library opened its doors in December 2018 in Hawthorne Drive to cater for the increasing demand for accessible, sustainable and central library services in response to strong population growth and spread and the increase of tourist numbers.

The [QLDC Libraries Strategy August 2020](#) drew attention to the limitations of library space available in both the Whakatipu and Upper Clutha districts at that time, which included fire regulated people capacity restrictions in the existing library buildings. While the population continues to increase, there has been no change to available library space in the district since then, although the need exists.

The QLDC Libraries Strategy also references the LIANZA 2004 New Zealand Public Library Standards and the New South Wales guide for public library buildings both of which recommend a square metre per 1000 capita for library buildings. The current population of the Whakatipu area serviced by Arrowtown, Frankton and Queenstown Libraries, from data extracted from NZ Statistics in May 2024, is 34,490 which equates to 3,449 m². The current square metre provision of library space in the Whakatipu is 1,775 m².

A comparison of total items issued in 2017/18 (158,147) to total items issued in 2023/24 at these Whakatipu Libraries (245,650) shows a 55 percent (87,503) increase in items issued to this community. Arrowtown, Frankton and Queenstown Library Teams continue to build a vibrant, responsive and valued service across the Whakatipu to ensure QLDC Libraries provide equity of service to all ages, ethnicities, ability and disability.

There are no plans currently in place to consolidate or repurpose these spaces.

5. Copies of reports or advice provided to elected members on Project Manawa and the Council headquarters.

a. Details of any consultation with local businesses, organisations, and former mayors regarding these developments.

A report on the [Proposed Council Accommodation](#) was presented at the Full Council workshop on 26 February 2016. The report evaluated all potential solutions and options for Council and library accommodation and concluded that the preferred option was the development of one Council office on Council-owned land in Stanley Street, noting however that further consideration on the merits of a joint venture versus Council ownership was needed. The motion was subsequently carried unanimously, with the Mayor emphasising that, as part of the next steps, a clear project brief and scope would need to be developed.

Additionally, a report on [Partnering with Ngai Tahu Property Limited](#) was presented at the Full Council workshop on 27 June 2019. The report recommended entering a partnership to develop a community precinct on the Stanley Street site. The partnership would enable the Council to fully realise the development potential of the site, which would not be achievable through independent action. Furthermore, it was noted that the transaction would adhere to sound business practices and in compliance with the Local Government Act 2002. The Mayor stated that he was very comfortable with what was proposed.

Furthermore, the reports provided in response to questions 1.d, 1.e and 1.f were also presented to Full Council workshops. You can find all historic agendas and confirmed minutes for meetings of the Full Council workshops [here](#).

Please note that the enclosed link will expire on 7 December 2024, 11:12 AM.

Decision to withhold information

We have good reason under section 7(2)(b)(ii) of the LGOIMA for withholding the redacted information in response to parts 1.d and 1.f of the request. We consider it is necessary to withhold this information on the basis of the following grounds:

- Section 7(2)(b) - the withholding of the information is necessary to protect information where the making available of the information—
 - (ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.

Section 7(2)(b)(ii) of the LGOIMA is designed to safeguard information whose release could unreasonably prejudice the commercial position of natural persons or entities involved. This provision acknowledges the importance of protecting sensitive commercial data, which is vital for maintaining competitive advantages and fostering a healthy business environment.

In this case, the information withheld relates to sensitive details, disclosure of which could jeopardise the integrity of the market process and pose risks to the successful progression of the project. Sharing this data at this stage would undermine the competitive environment essential for a fair and secure tendering process.

The need to preserve the commercial interests of the entity involved outweighs any public interest in transparency regarding this information. Therefore, withholding the requested details is essential to protect the integrity of commercial operations and encourage ongoing business confidence.

Public interest considerations

We consider the interests of the public when making decisions to withhold requested information, including considerations in favour of release, whether the disclosure of the information would promote those considerations, and whether those considerations outweighed the need to withhold the information.

Promoting the accountability and transparency of local authority members and officials is in the public interest, as is the public interest in “good government”. Where possible, we have favoured the release of information. However, in this case we consider that protecting the commercial position of an entity, is a consideration not outweighed by the public interest in favour of its release.

We conclude that the important section 7 withholding interests identified - to protect the commercial position of the entity who is the subject of - which relate to the information within the scope of your request, is a consideration not outweighed by a countervailing public interest requiring release.

Right to review the above decision

Note that you have the right to seek an investigation and review by the Ombudsman of this decision. Information about this process is available at www.ombudsman.parliament.nz or freephone 0800 802 602.

If you wish to discuss this decision with us, please contact Naell.Crosby-Roe@qldc.govt.nz (Stakeholder and Democracy Services Manager).

We trust the above information satisfactorily answers your request.

Kind regards,

██████

Democracy Services team
Queenstown Lakes District Council
P: +64 3 441 0499
E: information.request@qldc.govt.nz

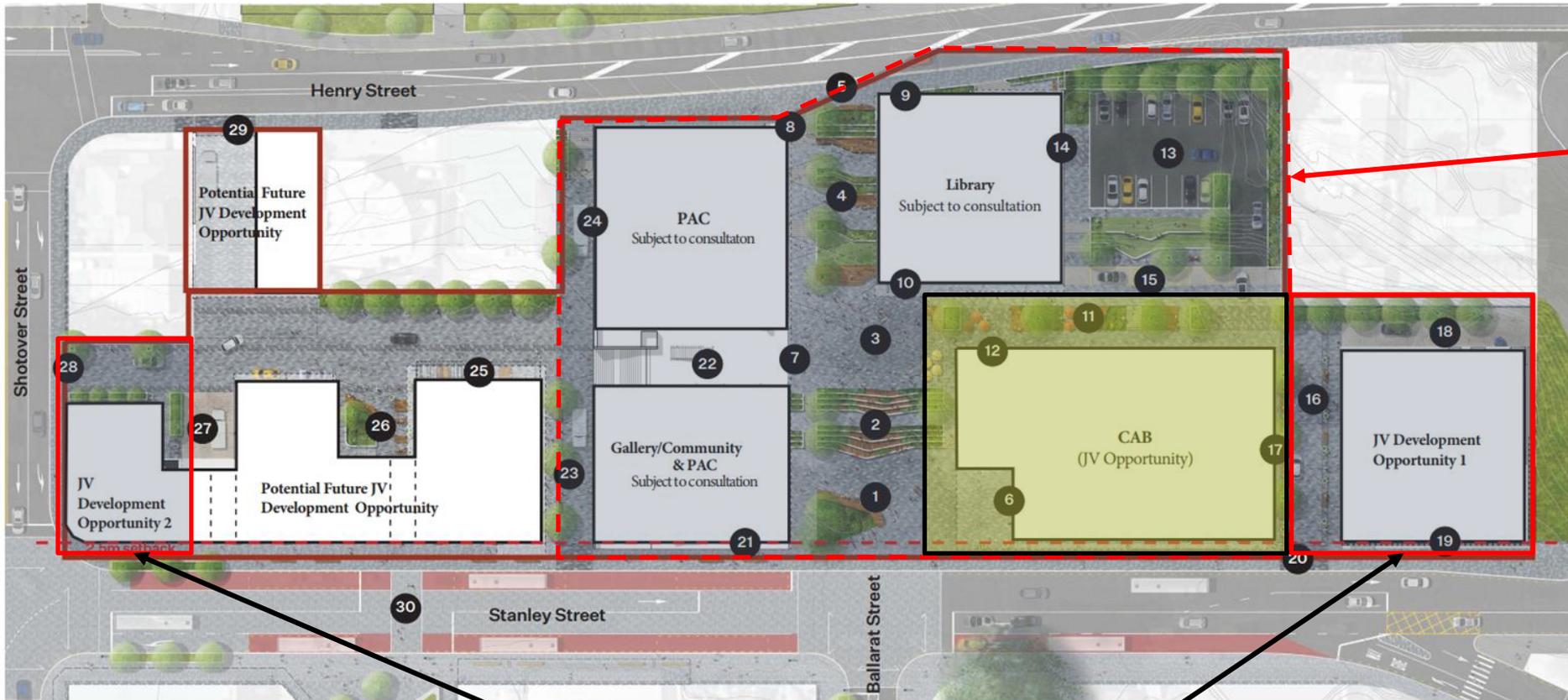
CAB commercial considerations workshop

4 April 2023

Agenda

1. Introduction and illustrative images
2. Background and key principles
3. Status quo analysis
4. CAB context per BPS
5. CAB analysis under a Partnering Agreement with Ngāi Tahu Property
6. Commercial and financial summary
7. A pathway forward

Introduction



Reserve land

Bookend sites











PAC & VAC - Looking towards library



Introduction cont.

History / context

- This is an [opportunity to establish a mixed use, integrated precinct](#) in central Queenstown
- [The CAB is key to catalysing the precinct](#) and this part of the CBD, which has challenges at present (development on this site has been considered multiple times over the past c. 30+ years)
- Council's [current office accommodation is not fit for purpose](#). It is split across several locations and was never envisaged as a long term solution
- A long term solution (the CAB) has been proposed for several years
- The Partnering Agreement (PA) was signed with Ngāi Tahu Property (NTP) in 2019 with the purpose of realising the full potential of the Manawa site in a manner that benefits Queenstown and the wider district

2. Background and key principles

2. Background and key principles

Why a joint venture with Ngāi Tahu?

- QLDC owns the reserve land and Bookend sites. Ngāi Tahu has rights of first refusal over the reserve land.
- Both parties will need to work together to unlock the complex interests in the land; this has not changed.
- Ngāi Tahu is an experienced developer and QLDC can benefit from its development expertise, to manage project risk etc.
- The key principles are embedded in the Partnering Agreement (PA).
- The CAB (“Project Connect”) is the first Community Asset to be developed – and satisfies Council’s requirement to support more efficient and effective services.
- The latest bid in relation to the CAB commercial terms was received from NTP in May 2022 – market conditions have changed (interest rates), but principles of the proposed transaction remain unchanged.

Background and key principles – cont.

Partnering Agreement principles

- In July 2019 QLDC and NTP agreed to work together to develop a holistic approach to unlock the full potential of the Site, including:
 - developing a Land Strategy for the Site;
 - developing Foundation Documents (being a Site Development Plan, a Feasibility Model and a Programme);
 - considering a joint venture vehicle / governance arrangements; and
 - exploring freeholding other non-freehold land on the Site, if that is of mutual benefit for parties.

Background and key principles - cont.

- The **Commercial Assets** ('Bookends') will be developed by NTP. QLDC will have an option (but not an obligation) to co-invest / develop; and
- The balance **Community Assets** (e.g. PAC, Gallery etc) will be developed on Reserve Land and are owned by QLDC.
 - Community Assets do not typically provide a direct financial return; they are therefore typically (almost exclusively) funded and owned by local or central government.
 - NTP does not have an interest in owning Community Assets given there is no commercial return; **the CAB is an exception given it is underpinned by a commercial lease, linked to market (office) parameters.**



Bookend sites

3. Status quo analysis

3. Status quo analysis

- Council's office accommodation is **split across five locations** (three leased) – poor quality, inefficient, poor outcomes in terms of teaming, collaboration and culture.
- Requires additional leased space (and associated fitout costs) **to accommodate future growth.**
- Status Quo **never envisaged as a long term solution.** The CAB has been proposed for some time.
- The CAB seeks to provide a long term solution for:
 - more effective and efficient service delivery
 - improved collaboration and culture
 - encouraging a diverse, vibrant and resilient town centre
 - added benefit of catalysing a precinct wider response

The business case (from 2018) identified three weighted objectives or benefit statements for Project Connect (the CAB):

- Effective and efficient service delivery, both internally and to ratepayers and customers (60%);
- Improved staff culture (25%);
- To encourage a diverse, vibrant and resilient town centre (15%).

3. Status quo analysis

Further considerations:

- Gorge Road site (1,368sqm) anticipated to be lost to Stage 2 arterial road.
- Additional space would need to be acquired / leased elsewhere to replace Gorge Road.
- Quality of existing space has been allowed to slip, pending new development.
- Significant capital expenditure would be required to re-purpose existing portfolio, which would still be split across multiple locations.

*Rental assumptions for the owner occupied space reflect an opportunity cost.
The operating costs for leased space are subject to confirmation.
The operating costs for the owner occupier space are a working assumption.

QLDC's existing footprint

Existing tenancies / owner occupied spaces	Floor area (sqm)	Rent	Rent \$ psm	Opex	Opex \$ psm
85 Beach Street & 75 Shotover Street (adjoining buildings)	150	\$66,390	\$443	\$13,526	\$90
	654	\$232,327	\$355	\$50,087	\$77
Bradley's Building	260	\$95,769	\$368	\$40,260	\$155
Church Street	947	\$271,227	\$286	\$26,087	\$28
Man Street Car Park (20 spaces)	N/A	\$82,000	\$79 pw	N/A	N/A
<i>Subtotal for leased space</i>	<i>2,011</i>	<i>\$665,713</i>	<i>\$331</i>	<i>\$129,960</i>	<i>\$65</i>
Gorge Road (QLDC owned)*	1,368	\$513,000	\$375	\$136,800	\$100
Stanley Street (Citizens Advice, QLDC owned) *	145	\$54,375	\$375	\$14,500	\$100
<i>Indicative total including owner occupied space</i>	<i>3,524</i>	<i>\$1,233,088</i>		<i>\$281,260</i>	

Office vacancy in Queenstown

There is limited availability of larger office tenancies in both Queenstown CBD and Frankton. Office space listed for lease within the last six months includes:

- 10 Memorial Street (CBD), 103 sqm
- 5/12 Hylton Place (CBD), 140 sqm
- 24 Camp Street (CBD), 219 sqm
- 45 Camp Street (CBD), 116 sqm
- 19 Rees Street (CBD), 51 sqm
- 35 Shotover Street (CBD), 80 sqm
- 8 Duke Street (CBD), 196 sqm
- 19 Rees Street (CBD), 51 sqm
- Unit 2/70 Glenda Drive (Frankton), 90 sqm

There is limited office space available in the CBD and particularly Frankton. The available space is typically <200 sqm and so inadequate for a single office solution

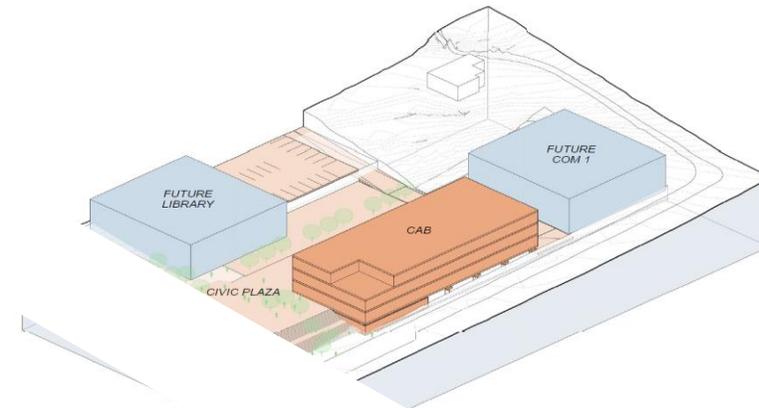
4. CAB context

Council workshop 18 May 2021

- Building capacity to allow ratio of 3 staff in office for every 2 at home (reflective of current workplace strategy) – which is broadly consistent with current ratios.
- 1:1 desk ratio has reduced to 0.6 - 0.7:1, consistent with desired flexible working strategy.
- Based on forecast growth, allows for space reduction from a 4,500 sqm GFA to 3,500 sqm GFA building.
- Cost savings from smaller floor area to go into building specification.
- Aspirations for sustainability and resilience.

Proposed CAB BPS details

- 1,500 sqm lot within the Manawa site fronting Stanley Street
- 3,500 sqm GFA option – optimises capacity, flexible working strategy targets, sustainability and seismic performance within the approved budget
- Approximately 3,325 sqm net lettable area (compared to c. 3,524 sqm current footprint)



Cost breakdown¹

Element	August-21	Escalated to Mar-23
Basebuild cost (\$)	\$25.2m	\$28.6m
Basebuild (\$ psm of GFA)	\$7,200 psm	\$8,200 psm
Fees, consents, public realm, Geotech risk, DM etc	\$7.5m	\$8.6m
Contingency	\$4.5m	\$5.0m
Direct costs outside PA - Site Infrastructure Works, Public Realm / Landscaping, Tenant Fit Out, Library Fit Out, IT, AV, Contingency	\$7.1m	\$8.0m
Total build cost (\$)	\$44.4m	\$50.2m
Total build cost (\$ psm)	\$12,688 psm	\$14,350 psm

Exclusions:

GST,
land cost,
finance/funding,
decant/moving costs,
legal and operating expenses.
escalation beyond March 2023

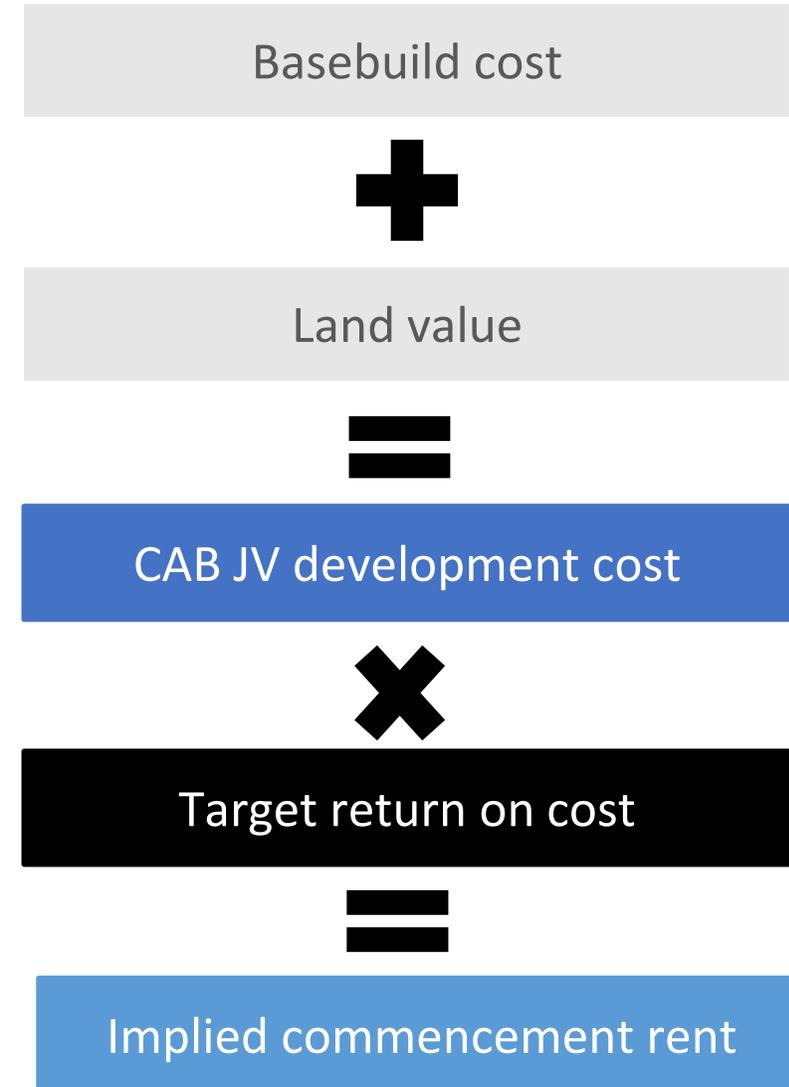
The February 2023 estimate has not been independently assessed by a quantity surveyor. It takes the Rhodes estimate from August 2021 and applies RLB's estimate of non-residential construction cost inflation through to March 2023 (13.4%) for Christchurch (there is no data for Queenstown). Actual cost could vary materially and the analysis is subject to this work being completed.

All figures excl GST and have been rounded.

¹ - August 2021 per Rhodes / NTP, escalated to March 2023 per RLB estimates

The relationship between cost and rent

- The method for establishing the implied commencement rent is a **return on cost, which is closely tied to a target internal rate of return.**
- This is a percentage return against the development cost, including the value of the underlying land for which QLDC will receive its value.
- In the context of the proposed CAB, it reflects the market's expected return (the economic rent) for the risk taken and considers factors such as the current interest rate environment.
- This is the return we expect NTP might seek under current market conditions for its contribution to the CAB basebuild cost and land acquisition costs.



5. CAB analysis under a Partnering Agreement with Ngāi Tahu Property

5. CAB analysis under a PA with Ngāi Tahu Property

CAB feasibility model

Proposed to be the first asset developed. The majority of interaction with NTP to date has been in relation to this project. The commercial structure is well advanced but is still subject to negotiation.

Tenure	Freehold
Zone	Commercial, subject to Reserve Status being uplifted
Land area	1,500 sqm
Land ownership	50:50 between the JV partners
Land acquisition	NTP to purchase 50% from QLDC at market value
Lease	QLDC will lease the CAB from the JV
Term	Around 30 years, with renewal options
Commencement rent	Based on a return (percentage) applied to costs (land and construction)
Rent reviews	Periodically, likely on a structured basis, and with periodic checks to market
Development	NTP would be the Development Manager and receive a market based fee

The latest feasibility model and terms were received from NTP in **May 2022**

Term	Feb 22	May 2022
Land tenure		
Model duration		
CAB net lettable area (NLA)		
Build cost (incl fees, consenting & contingency)		
Land area*		
Land acquisition cost		
Return on costs		
Rent on completion		
Rent at year 30		
Rental growth		
Internal rate of return (IRR)		

*Land area reduced from original model to an efficient ratio for required building size and footprint

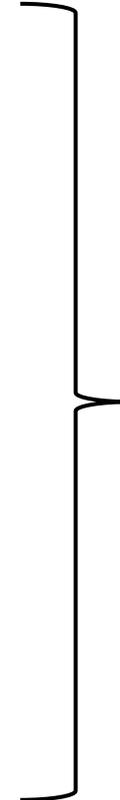
Changes in implied rent since May 2022:

- **Significant increase in the cost of debt**, which has increased market return on cost expectations.
- In the six months from June 2022 to December 2022, QLDC's weighted average cost of debt has increased from **2.64% to 4.23% (+1.59%)**.
- In May 2022, the OCR was 2%, it is now 4.75% (+2.75%).
- The NZ 10 Years Government Bond yield was <1.0% in Q4 2020 and is at 4.095% in Q2 2023.
- **Continued increases in construction costs** - 10.5% increase nationally in the year to September 2022.
- **CAB land was recently valued at a higher level** by CBRE assuming Reserves Act status is lifted (meaning the land is more valuable).

Together, these factors have increased the implied CAB rental in \$psm terms.

Risks include:

- further construction cost increases prior to commencement
- further increases to interest rates, which may increase market ROC expectations.



We have taken a view on potential terms as at **Q1 2023**, noting changed market dynamics. This is **indicative only and subject to reengaging with NTP**.

Term	Feb 22	May 2022	Q1 2023 - indicative
Land tenure	Freehold	Freehold	<i>Freehold</i>
Model duration	30 years	33 years	<i>33 years (30 year lease, 3 years dev.)</i>
CAB net lettable area (NLA)	3,500 sqm	3,325 sqm	<i>3,325 sqm</i>
Build cost (incl fees, consenting & contingency)	\$37.3m	\$37.3m	<i>\$42.2m (as at today – unescalated to construction start)</i>
Land area (reflects ‘final’ curtilage)	3,500 sqm	1,500 sqm	<i>1,500 sqm</i>
Land acquisition cost	\$12.0m	\$6.375m	<i>\$8.75m</i>
Return on cost	6% p.a.	6% p.a.	<i>7.00%</i>
Rent on completion	\$2.4m	\$2.8m (c.\$850/m ²)	<i>\$3.5 m (c.\$1,045/m²)</i>
Rent at year 30	\$5.3m	\$4.7m	-
Rental growth	2% p.a.	2% p.a.	<i>2.5% p.a.</i>
Internal rate of return (IRR)	7.6% p.a.	7.1% p.a.	-

Comparison of implied rental: location vs spec vs PA

This analysis explores the implied rent for:

- status quo
- an existing office building of a standard specification in Frankton
- a purpose built new build of a standard specification in Frankton
- a purpose built new build of a standard specification in Queenstown CBD
- the CAB via a PA with NTP, for a sustainable, resilient building

The analysis demonstrates the effect of location and building specification on implied rent.

Comparison of implied rental location vs spec vs PA



QLDC's estimated net rent (across 3,524 sqm), includes allowance (normalisation) for owner occupied office space, library and Council chambers. Observations:

- Across 5 locations
- Inferior space, not IL4 / resilient and not sustainable / green etc
- Compromised workplace efficiency and quality of service delivery

Note: - fitted out

Comparison of implied rental location vs spec vs PA



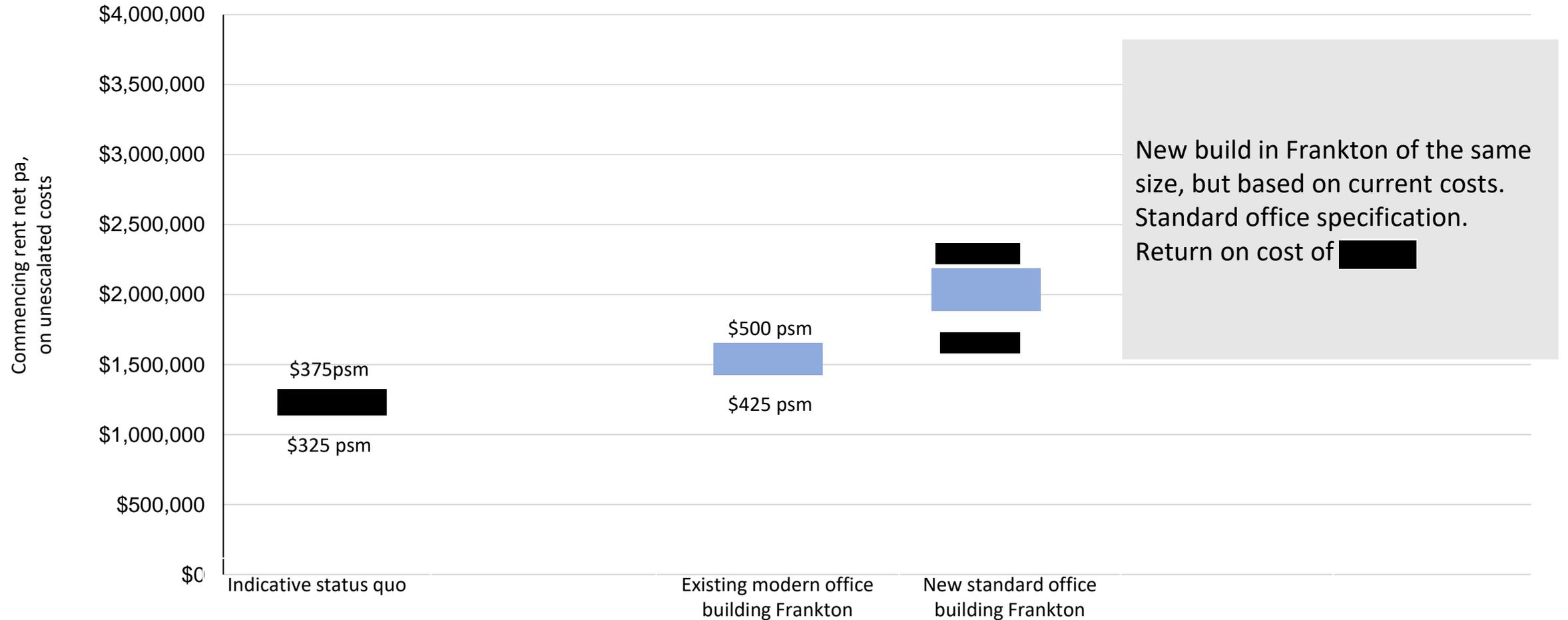
This and all following scenarios assume a 3,325 sqm (NLA) office building.

This scenario considers the potential rental for leasing the CAB footprint requirement within an existing building in Frankton.

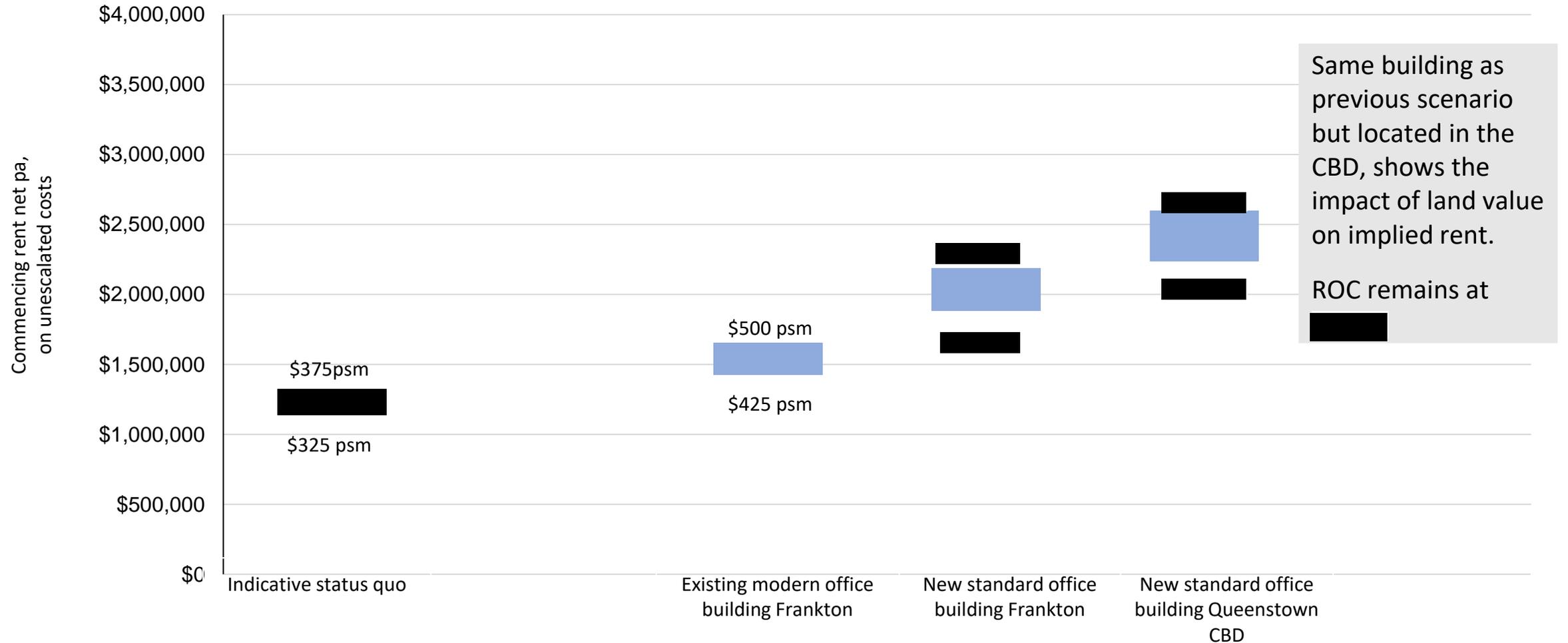
The key constraint is no such space appears to be available.



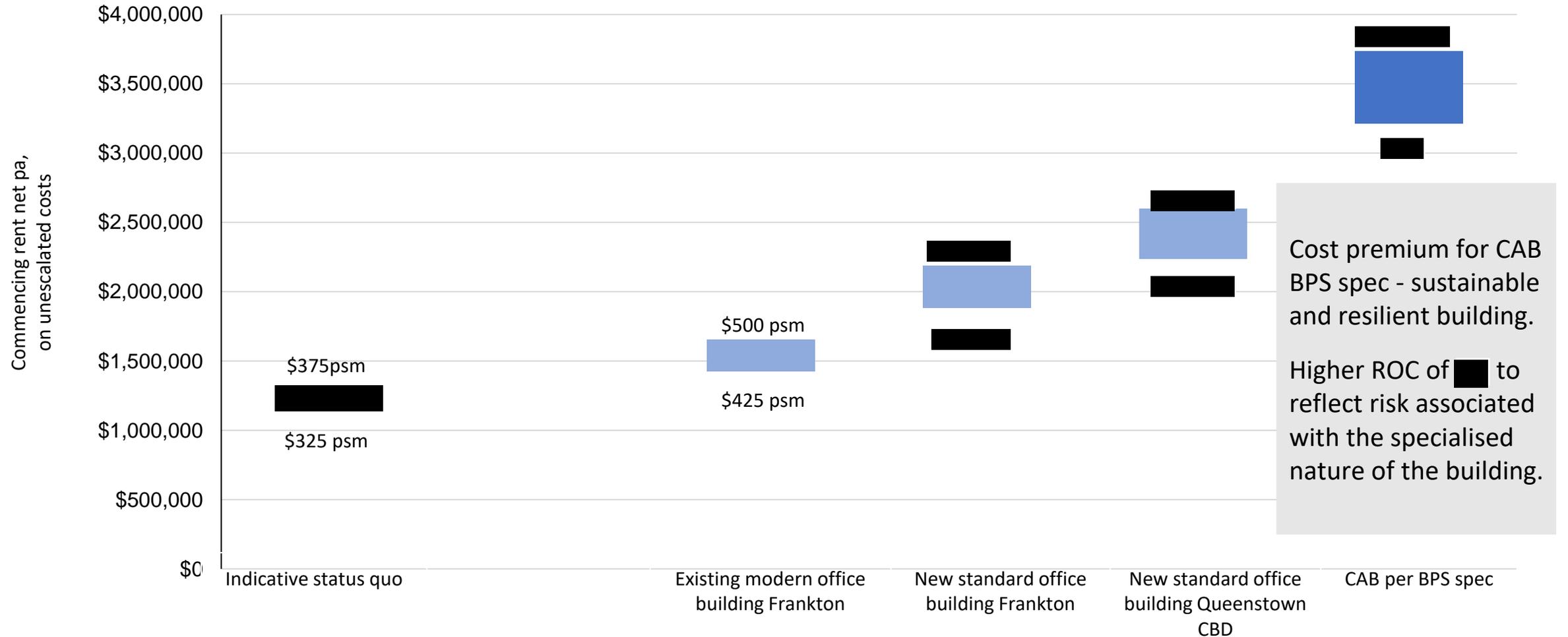
Comparison of implied rental location vs spec vs PA



Comparison of implied rental location vs spec vs PA



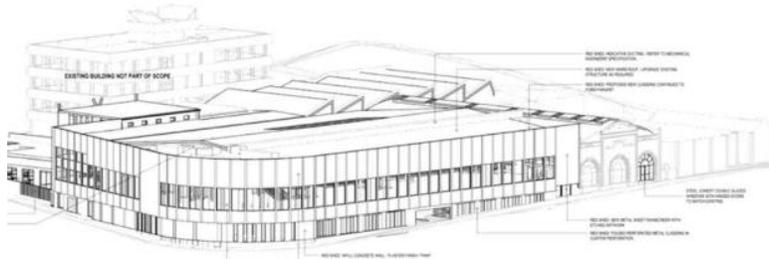
Comparison of implied rental location vs spec vs PA



Comparable civic office developments

Otago Regional Council (ORC), Dunedin

- To be occupied by ORC
- Developed by Port Otago (a CCO) for c. \$45m
- Fit out estimate: \$11.2m
- ██████/sqm including fit out
- Re-purposed existing building to accommodate 300+ staff
- 20 year initial term at ██████ pa
- Completion due end 2024



Source: ORC website

Tauranga City Council

- Largest mass timber office in NZ
- TCC to lease for 15 years
- Development cost conf.
- 10,000sqm to accommodate all c.1,150 TCC staff in one location
- **Six-star Green Star and five-star NABERS**
- Part of Civic Masterplan, with library, whare, museum
- Completion by early 2025



Source: TCC, Willis Bond websites

Gisborne District CAC

- All 220 Gisborne DC staff on one level, in 3,500sqm building
- **Completed 2018**
- **Comparatively 'simple' build**
- Development cost ██████
- ██████/sqm (adjusted for escalation)



Source: Chow Hill and Greenstone websites

Comparable civic office developments

Hutt City Council CAB

- **Heritage retention** project for 3,567 sqm building
- Completed **2016**
- 4.5 star NABERS rating
- [REDACTED] development cost
- [REDACTED]/sqm, (fitout situation unknown)



Source: Naylor Love, RDT & NABERS websites

Napier City Council

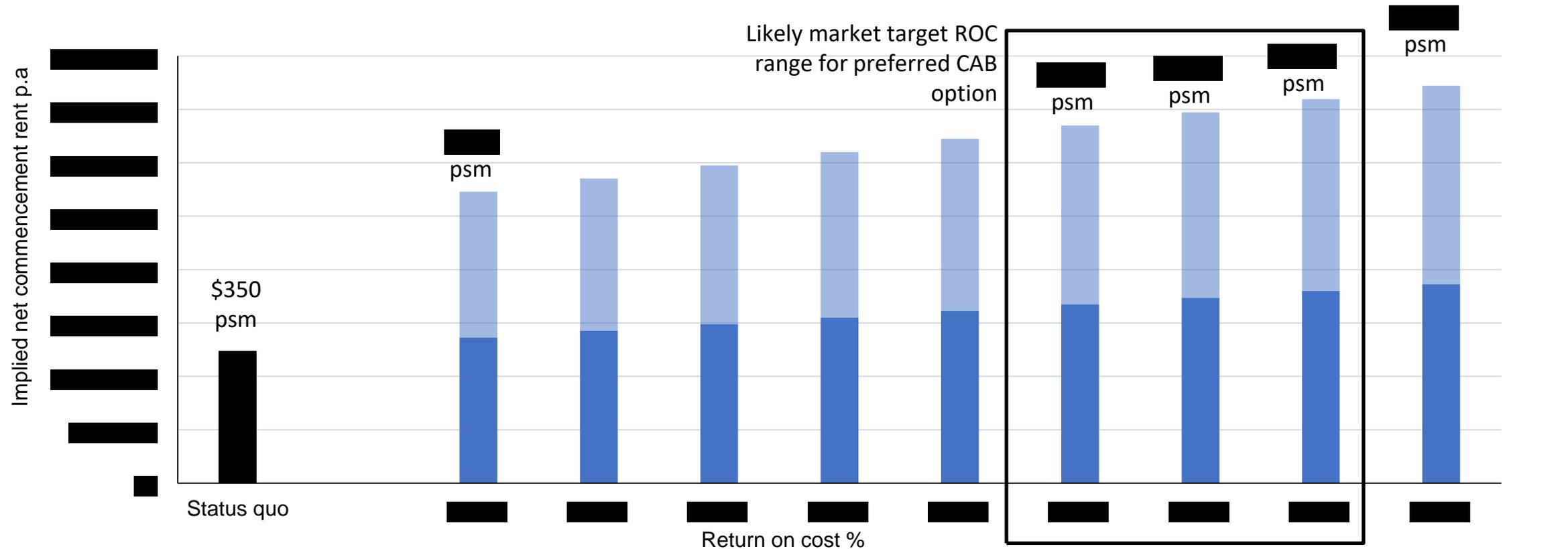
- Conceptual new build of 4,825 GFA
- [REDACTED] budget, including fit out, FF&E
- [REDACTED]/sqm including fit out, FF&E



Source - PwC

Comparison of implied rental in PA with NTP

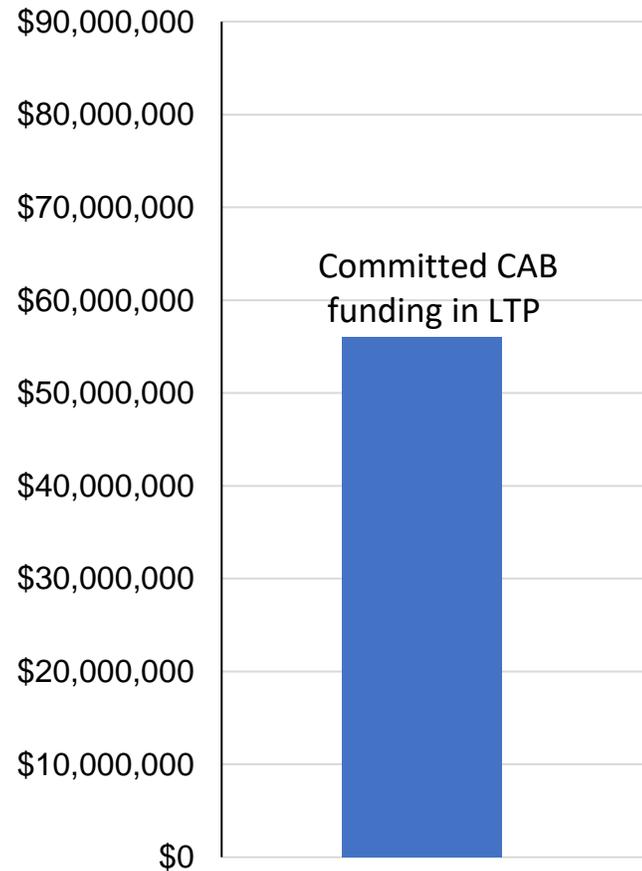
The following chart considers the implied rent for the CAB under a PA with NTP. Based on current conditions, we expect market ROC expectations would be $\geq 6.75\%$ (to be confirmed).



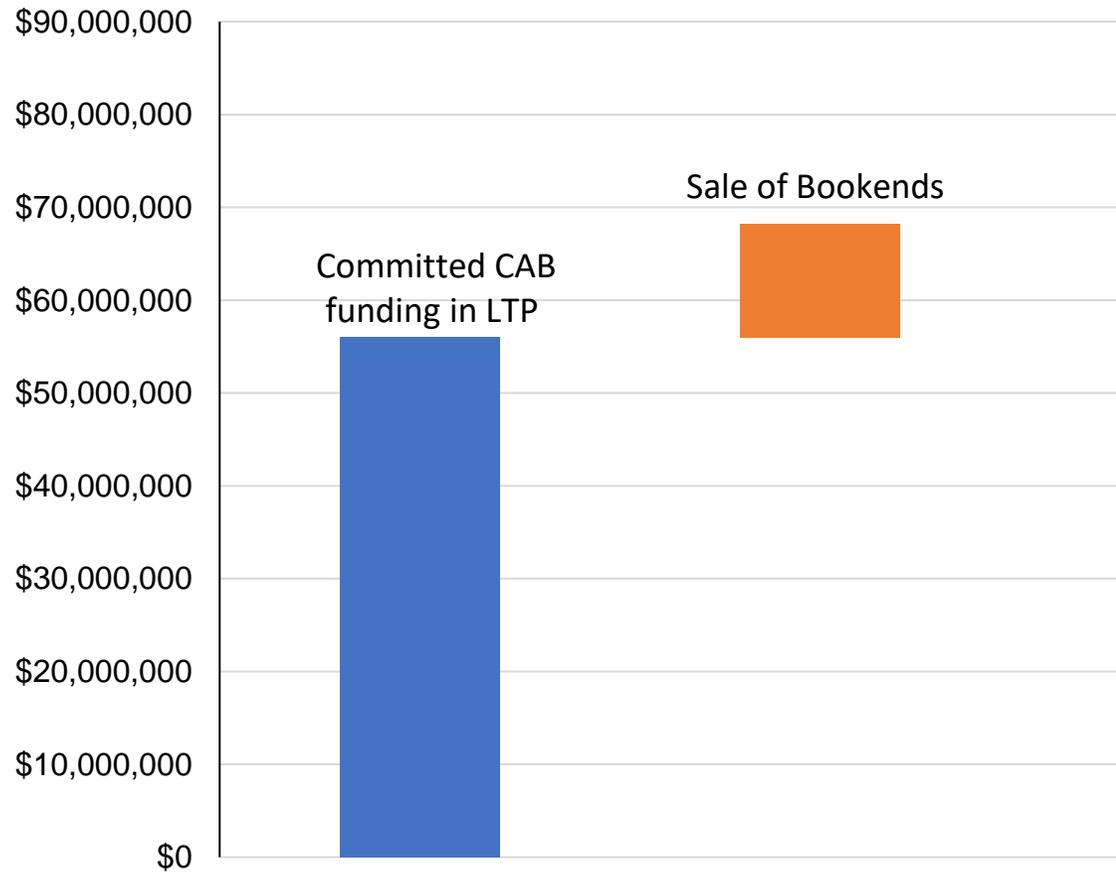
6. Funding

5. Funding

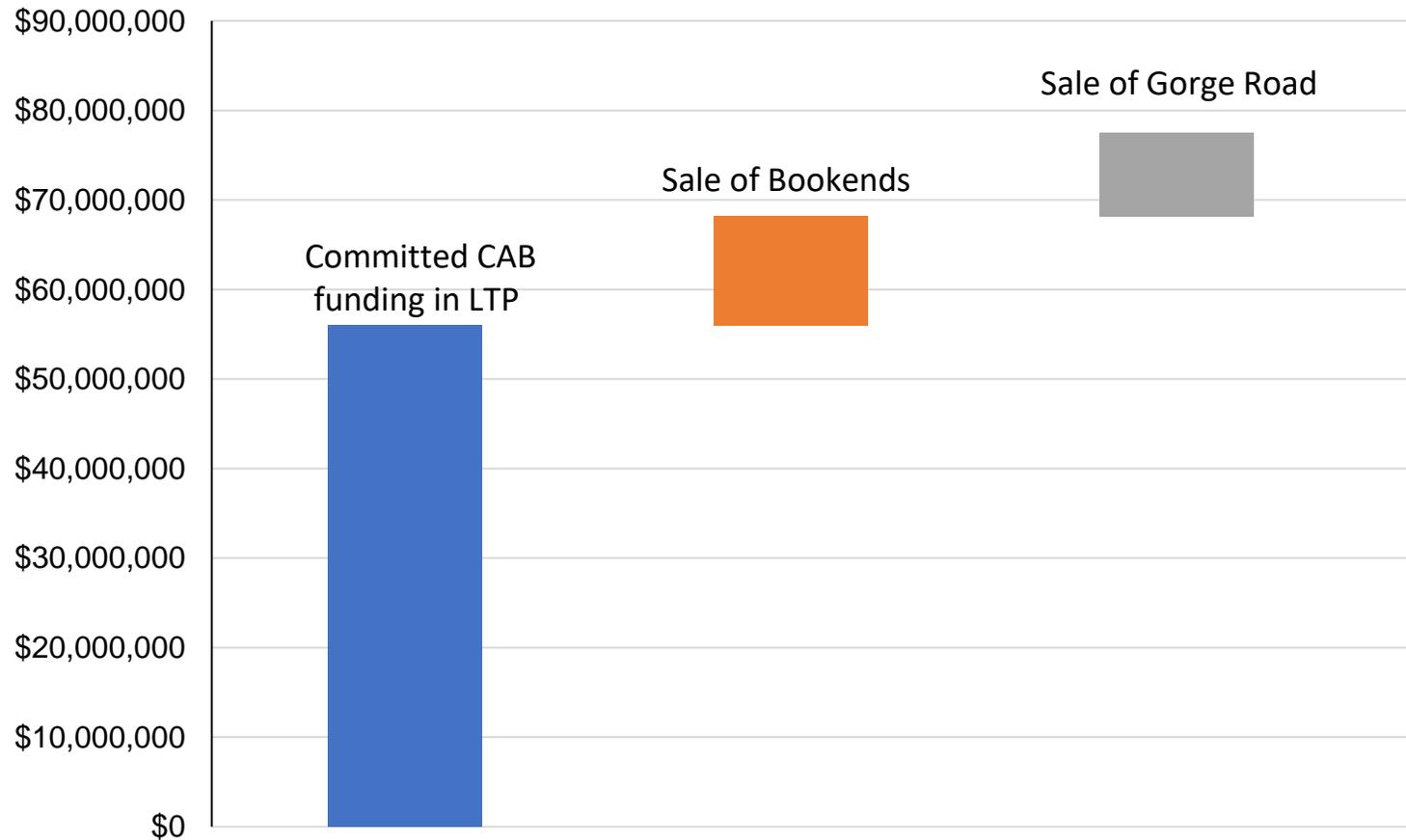
CAB funding sources



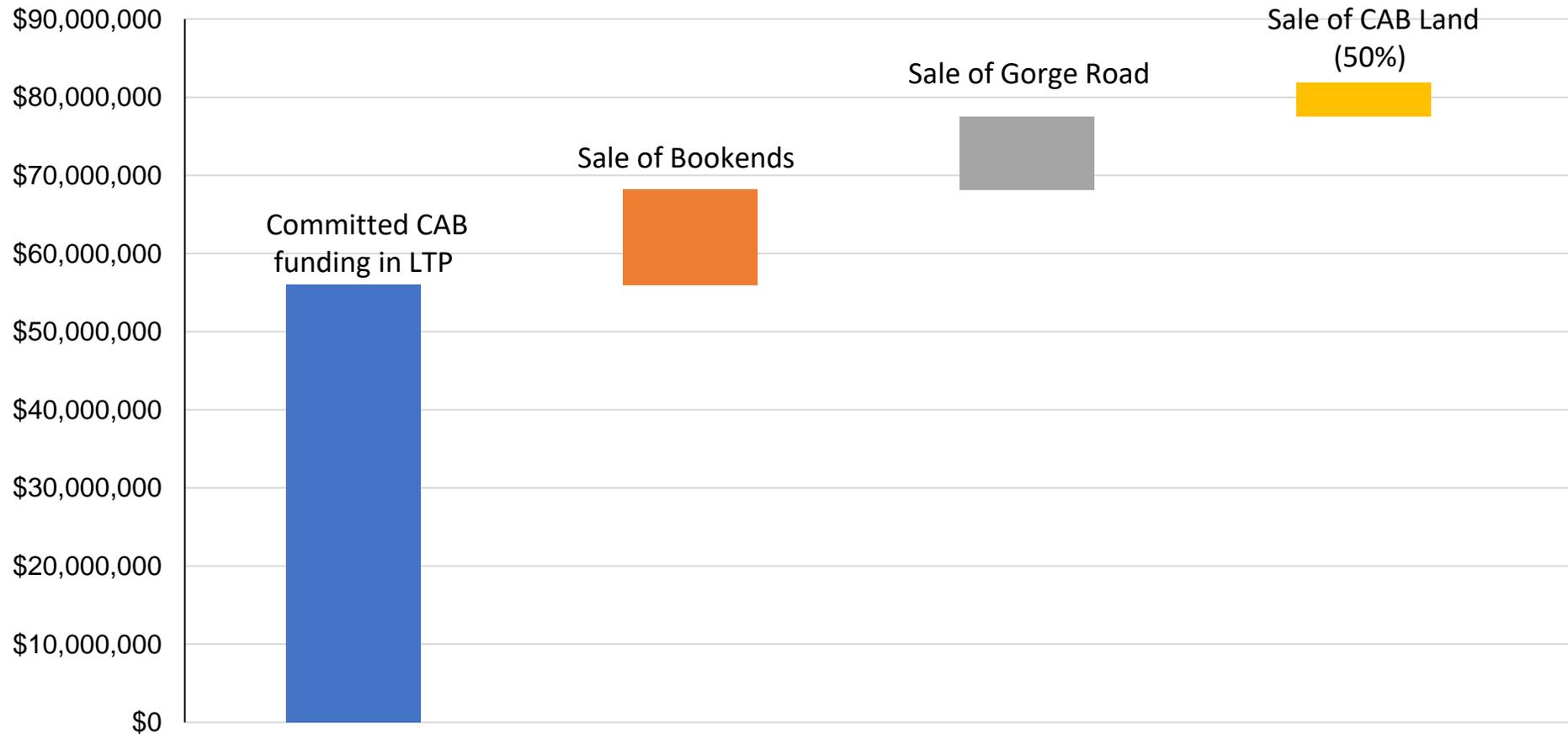
CAB funding sources



CAB funding sources



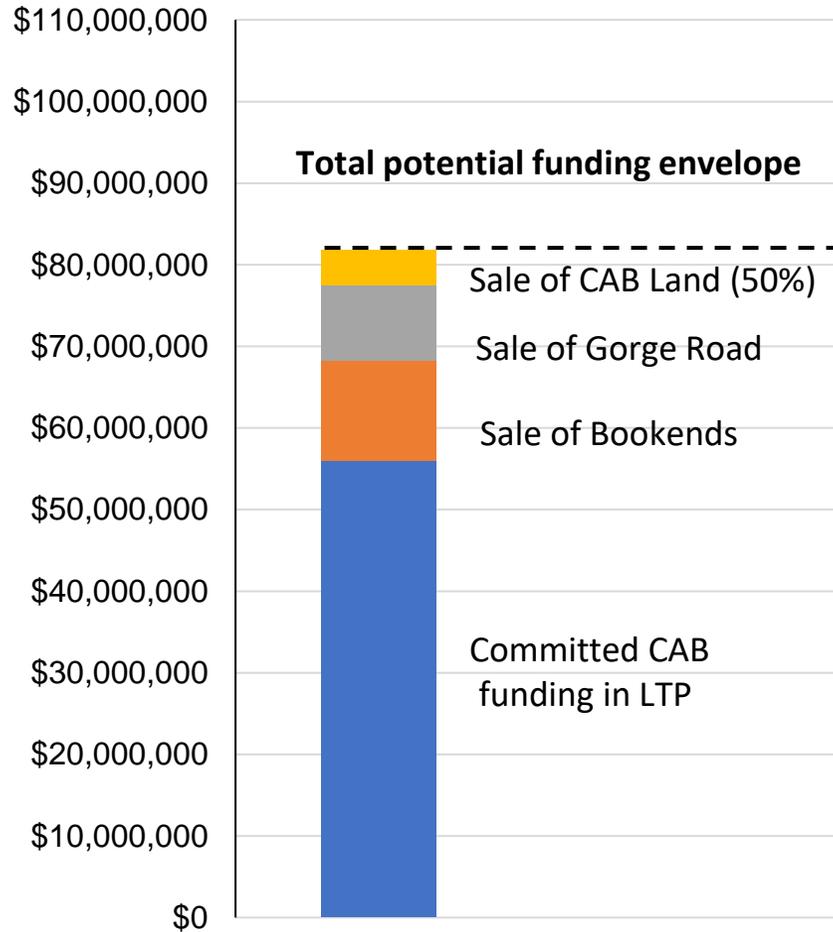
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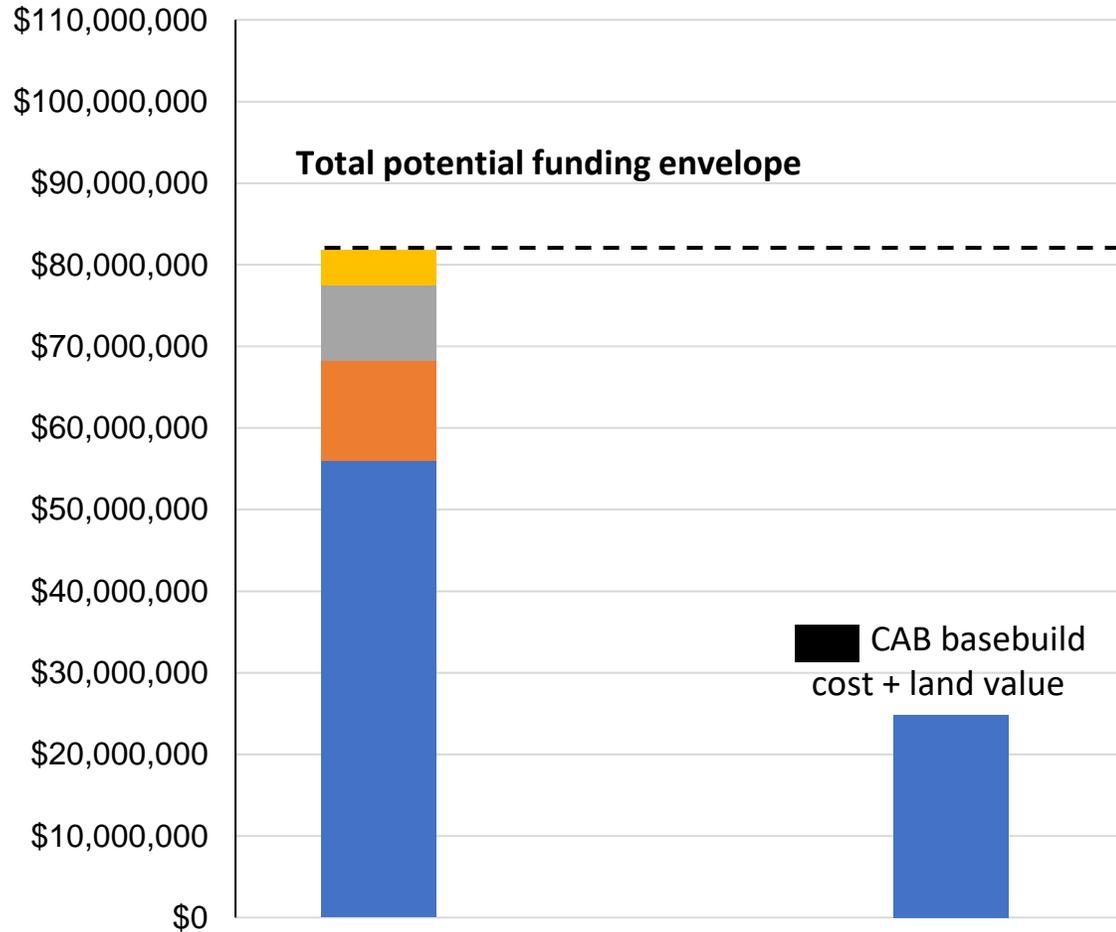
CAB funding sources



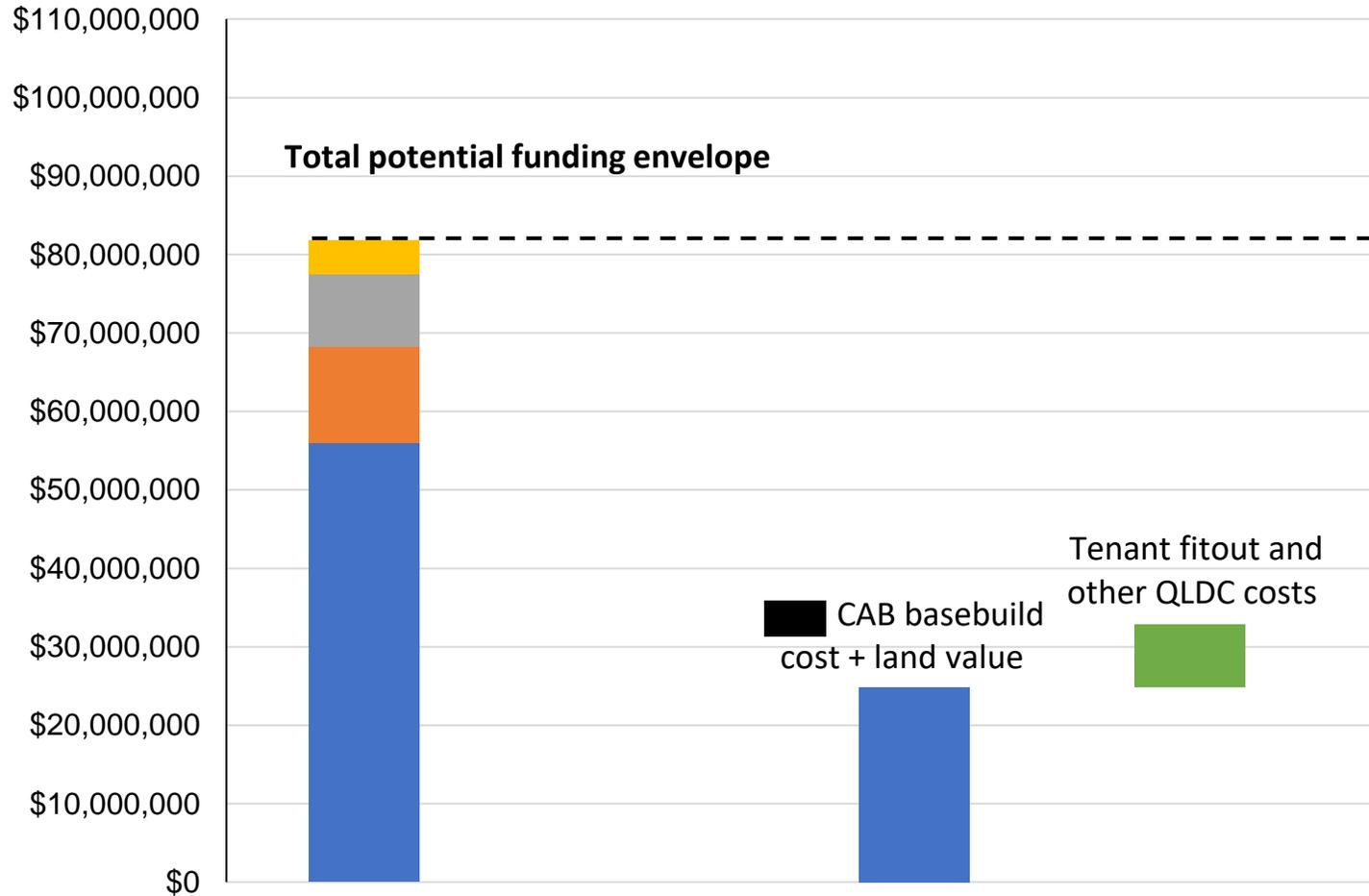
CAB funding sources vs QLDC costs



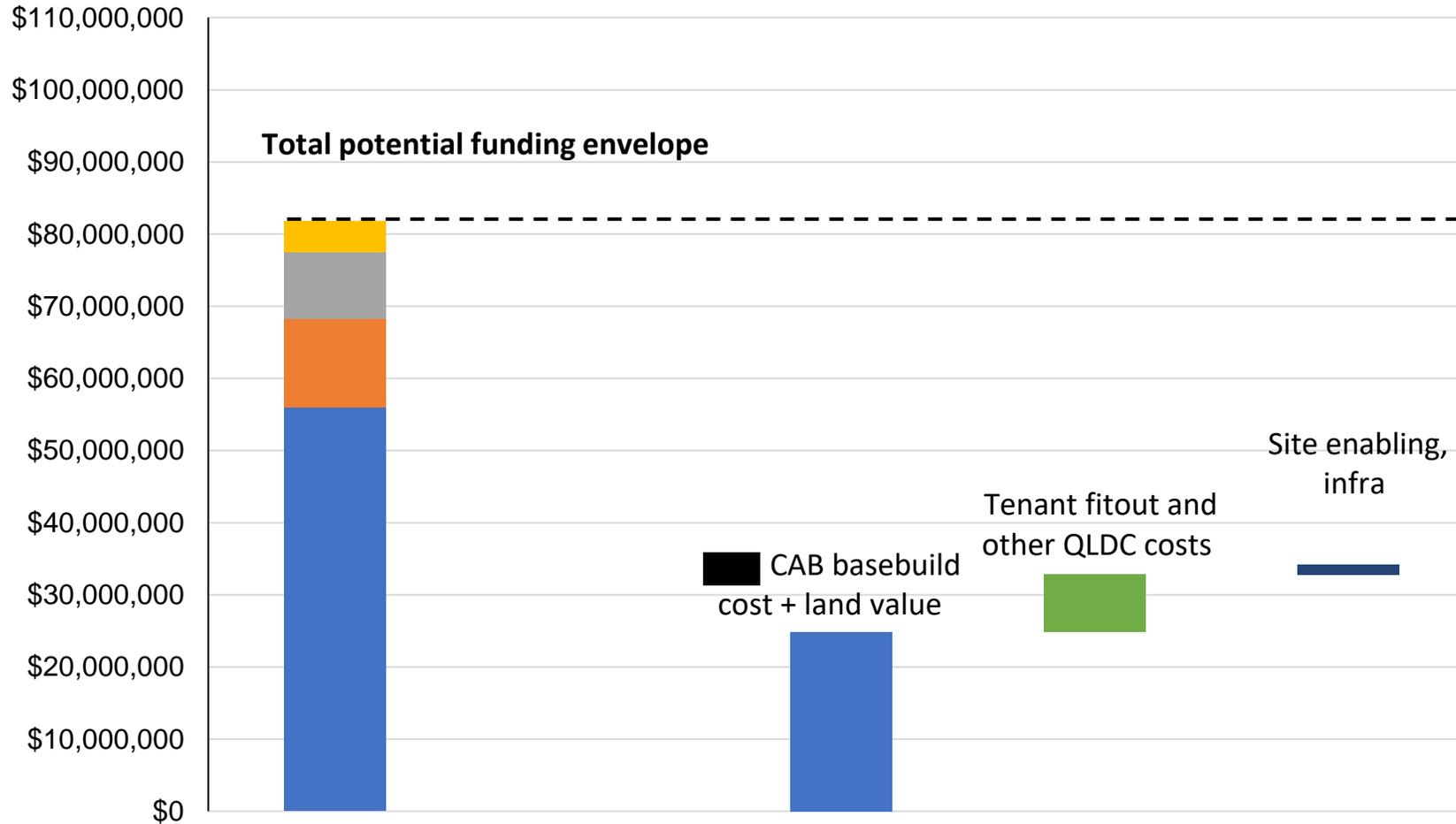
CAB funding sources vs QLDC costs



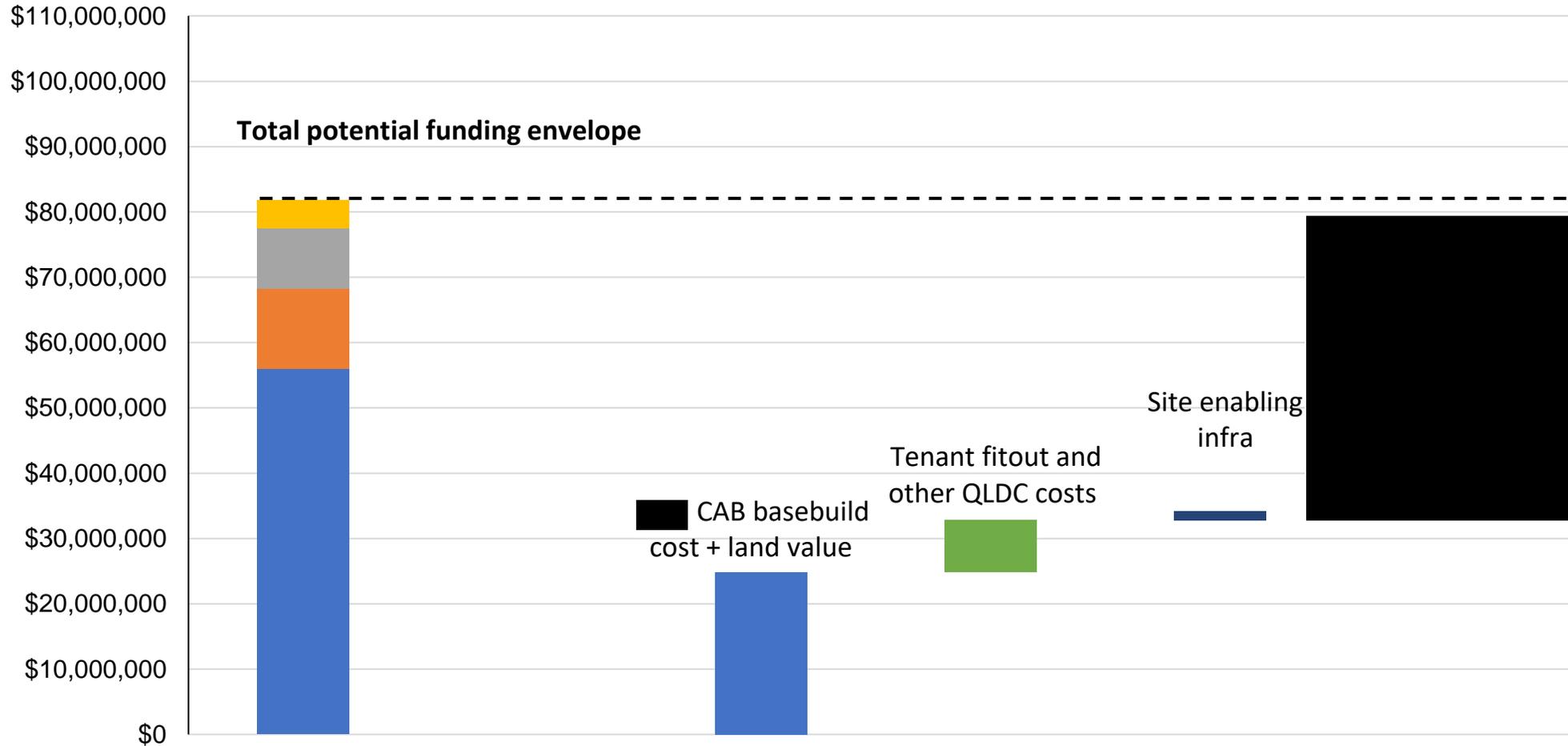
CAB funding sources vs QLDC costs



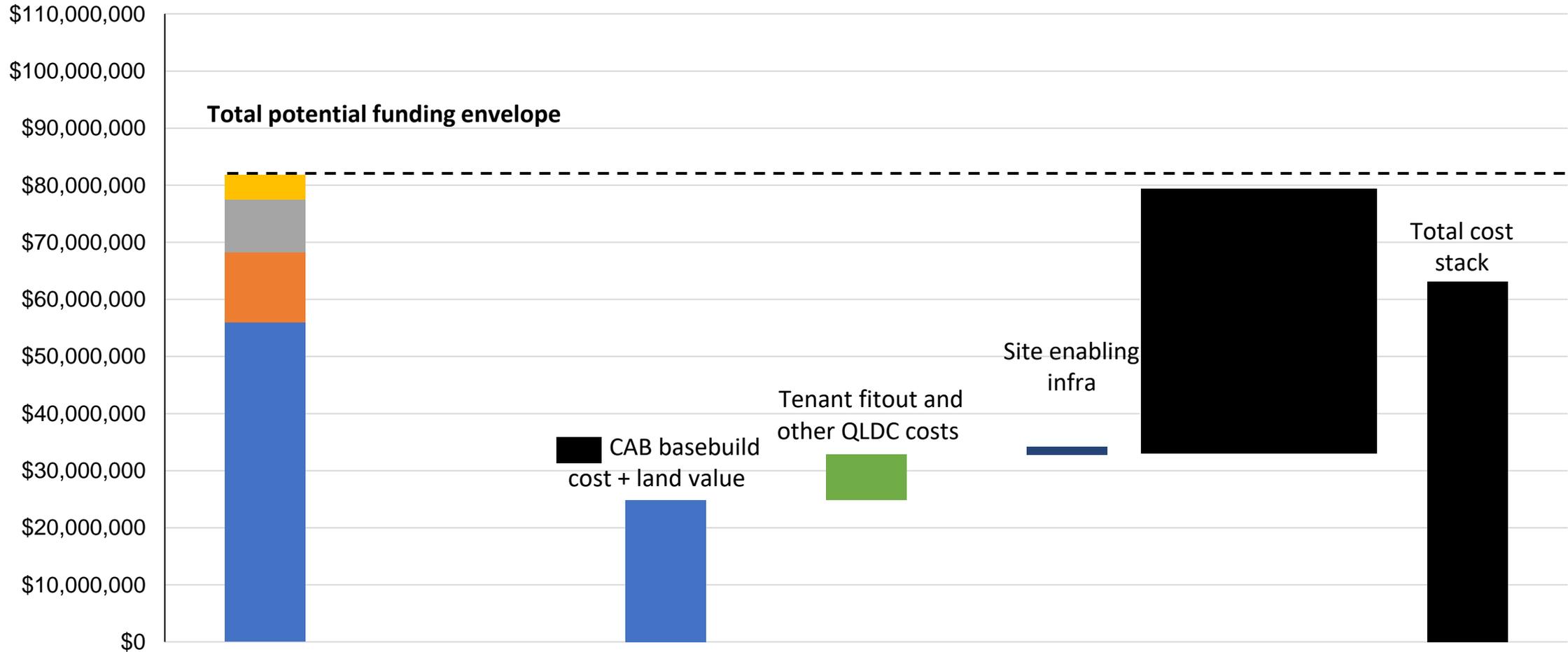
CAB funding sources vs QLDC costs



CAB funding sources vs QLDC costs



CAB funding sources vs QLDC costs



How does the proposed arrangement stack up?

- Council's **status quo is not sustainable** relative to:
 - QLDC's analysis of the **approach required to meet its corporate office accommodation needs**
 - **Observations from other regional Council's recent / planned office accommodation projects**
- **Cannot compare a new-build solution with leasing modest existing B and C grade office space**; irrespective of specification, a new office solution that brings Council staff together, catalyses a precinct and sets a new standard for sustainability (and potentially resilience) will always be significantly more expensive to occupy (or own)
- Under the proposed transaction, Council will pay a significantly higher rent, commensurate with the quality of the proposed premises / accommodation aspirations
- **The JV structure is largely 'noise'** - it is a capital structure decision – Council will hold an asset, equal to its 50% share, broadly consistent with its invested capital but for the potential for a development margin. **In the round, renting or investing/owning is a nil sum game, but for arbitrage on cost of capital**

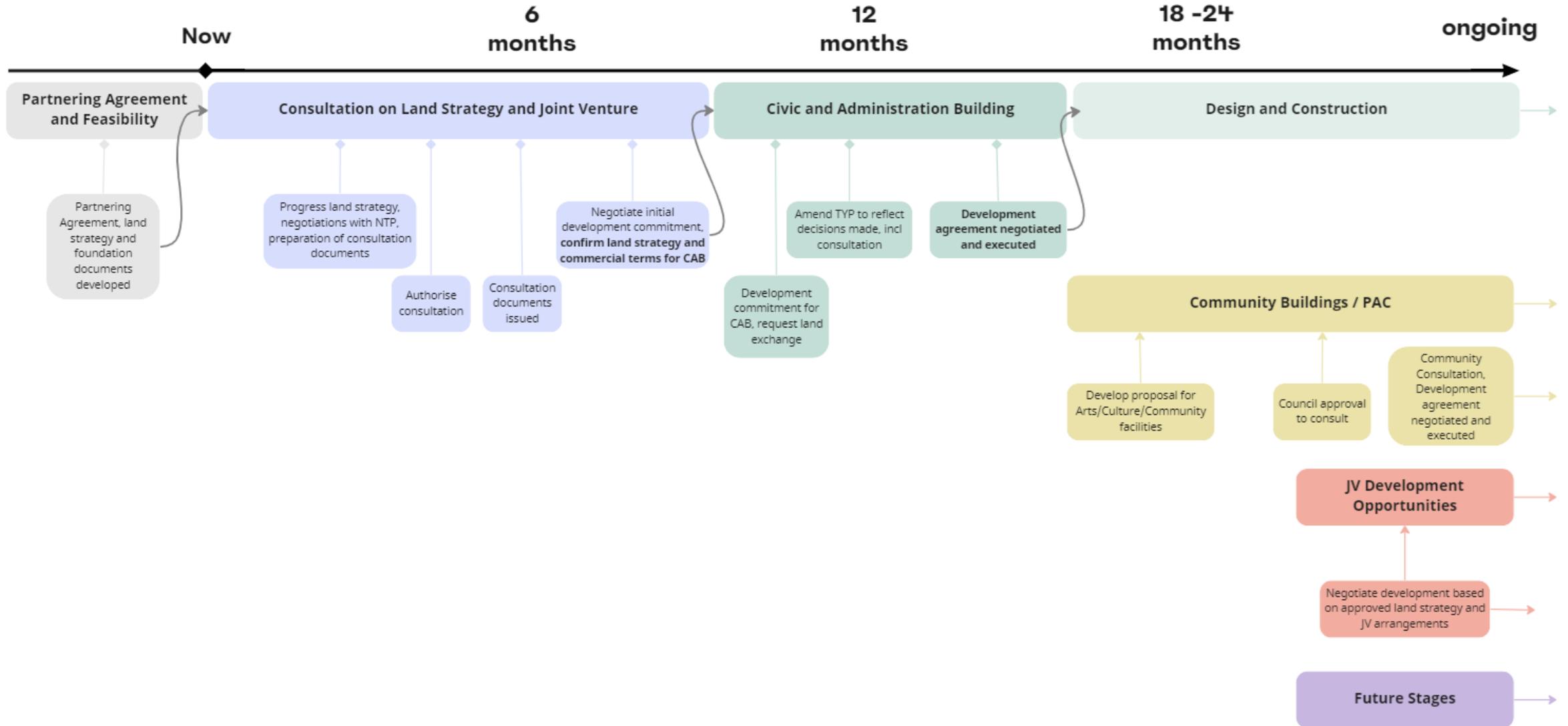
7. CAB – Next steps

Next steps

Prepare the following to enable further consultation with the community and negotiations between Council and NTP. Specifically:

- A Land Strategy to set out a proposed approach to realise the full development potential of the site and community benefits
- The Foundation Documents, to set out a proposed approach to develop the full site as a community precinct (incl. the CAB, arts and cultural community facilities and commercial development) as a JV with NTP
- Consider the governance and accountability arrangements for the joint venture

Programme



Questions & Discussion

QUEENSTOWN LAKES DISTRICT COUNCIL

Accommodation Project

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Contents

SECTIONS

	Executive Summary	04
1	Current State Analysis	05
2	Determine Options	13
3	Accommodation Cost Analysis	17
4	Summary and Recommendation	27

APPENDICES

1	Questionnaire Response Summary	33
2	Potential Site Descriptions	40
3	Scope of Process	49



Executive Summary

Queenstown Lakes District Council Office Accommodation Review

We present the following report being the outcomes of the Consultation Process as outlined in the Scope of Process as agreed 10 September 2015;



QUEENSTOWN BASED OFFICES AND LIBRARY

Chief Executive:	Adam Feeley
Office Locations:	8-10 Gorge Road 74 Shotover Street 11-17 Church Street
Storage Location:	8-10 Gorge Road
Library:	8-10 Gorge Road

1.0

Current State

Queenstown based Offices and Library

QLDC currently occupies three buildings in central Queenstown as per the adjacent table. The Council building on Gorge Road accommodates the Council's main reception, council chambers, executive offices and administrative offices. The Queenstown Library is located on the ground floor of this building. This is a circa 1976 three level commercial building which was originally built as a 'chartered working men's club', subsequently rebuilt and enlarged 1995/96 and purchased by the Queenstown Lakes District Council who subsequently renovated and enlarged the complex to Council offices, administration, and library circa 1999. A recent Seismic assessment of this building has indicated the building has structural integrity equivalent to approximately 35% of the Design Base Earthquake (DBE). Gorge Road was assessed to be a Importance Level 2 building which is for buildings posing normal risk to human life or the environment, or normal economic cost should the building fail, and is typical of a commercial building. A building suitable for accommodating the civil defence head quarters and critical records storage requires a higher seismic rating.

QLDC currently occupy offices on the first floor within an office building at 74 Shotover Street. This is a central CBD location. QLDC have been in occupation of this space since circa 2000. The office building is a circa 1990 building providing average quality commercial space with a partially obstructed outlook to Queenstown Bay and the surrounding mountains. QLDC vacated the second floor of this building, and has recently entered into a renewed lease for the first floor on a five year lease that can be broken at the tenants discretion on or after October 2018.

The QLDC has recently leased space on the first floor of 11- 17 Church Street on a five year lease that can be broken at the tenants discretion on or after October 2018. The space has now been occupied with a small area still to be made available within the next few months. This is a good quality modern office building in a central CBD location.

In addition to these main office buildings QLDC accommodates approximately 50 staff at the Queenstown Events Centre, the majority of these staff are operationally focused and need to be located in close proximity to the events centre and recreational grounds.

				Tenure
8-10 Gorge Road				
Offices	1 st floor	556 sqm	Freehold – Owner occupied	
Council Chamber	2 nd floor	132 sqm		
Storage	Ground floor	140 sqm		
74 Shotover Street				
Offices	1 st floor	654 sqm	Leased	
11-17 Church Street				
Offices	1 st Floor	587 sqm	Leased	
Total Administration Space		2069 sqm		
8-10 Gorge Road - Library				
Library	Ground floor	467 sqm	Freehold – Owner occupied	

1.1

Current Space Utilisation

Over recent years QLDC has significantly rationalised their office accommodation to three CBD locations. This has significantly reduced accommodation costs, and has improved management of the teams working within the organisation. The Gorge Road and Shotover Street offices are now at full capacity and meeting rooms are now being used to accommodate work stations in some circumstances. QLDC has recently entered into a lease for 587 sqm at Church Street to meet current space needs.

	Leased Area	Workstations (incl. Offices)	Workstations/psm
Gorge Road (Excluding Library)	556 sqm	57	9.75
Council Chamber	132 sqm		
74 Shotover Street – Level 1	654 sqm	61	10.85
7-11 Church Street	587 sqm	55	10.67

	Office	Workstations	Total People
CEO	1	0	1
Corporate Services	6	37	46
Finance	1	16	17
Planning & Development	1	55	56
Infrastructure	1	32	33
Regulatory	1	12	13
Mayor	1	0	1
Councillors	1	0	4
Total	13	152	171

Key Observations

- QLDC Office Accommodation at Gorge Road and Shotover Street is currently at capacity.
- QLDC has recently vacated Level 2 of 74 Shotover Street ..
- QLDC has recently leased space on the 1st level of 7-11 Church Street to address current capacity issues, taking 302 sqm from 1 October 2015 and taking a further 285 sqm prior to 30 June 2016 to replace space on the 2nd floor of 74 Shotover Street.

Gorge Road

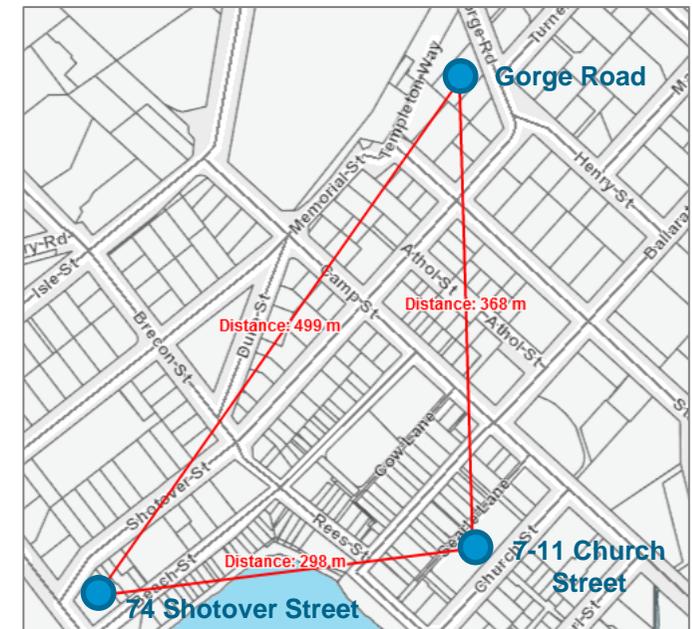
- Owner occupied property.
- Assessed to have Seismic rating in excess of 34% of the new building standard.
- An 'earthquake-risk building' is any building that is assessed at being between 34% and 67% of National Building Standard. (NBS).
- We are advised there is concern amongst staff members with regard to the safety of the building in the event of a significant earthquake.
- Dated office accommodation in the context of the Queenstown market.
- QLDC's civic headquarters, accommodating council chambers, executive and administration offices and the building accommodates the towns library at the base level.
- Office accommodation comprises a mix of perimeter office rooms, the majority of the space is open plan workstations.
- The accommodation is currently at capacity with meeting rooms temporarily being used to accommodate work stations.
- Dated ablution facilities.
- Statutory obligations requiring significant onsite storage.
- Excellent accessible car parking.
- Recent information suggests the building will not be affected by the planned inner links bypass.

74 Shotover Street

- 1st floor leased for a term of 5 years from 12 October 2015, with the right to terminate after 3 years given 3 months notice.
- We are advised the building has had an Initial Evaluation procedure resulting in a seismic rating that is not of concern. We have not sighted any seismic assessment.
- Dated office accommodation in the context of the Queenstown market, fit out is worn, corner building with extensive perimeter windows, convenient central CBD location.
- Layout of perimeter office rooms, internal meeting and storage, the majority of the space is open plan workstations.
- Reception area appears under-utilised.
- Large storage room of files and IT support equipment.
- Office layout appears inefficient and could be improved, but would require reasonably significant reconfiguration.
- Dated ablution facilities.
- Adequate time restricted street car parking, close proximity to Man Street public car park.
- Ground level of building is within the 100 year floor zone.
- Car parks leased in addition (Man Street Car Park)

7-11 Church Street

- 1st floor leased for a term of 5 years from 12 October 2015, with the right to terminate after 3 years given 3 months notice.
- Modern building completed 2009, good ablution amenities etc.
- Modern quality office accommodation.
- Currently being space planned to QLDC requirements.
- Central CBD location.
- Adequate time restricted street car parking, located above Church Street public car park.
- Ground level of building is within the 100 year flood



The above image illustrates the location of the current offices and distances between them.

1.2

Premises – Current Accommodation Solution

Offices

Premise	Floor Area (sqm)	Lease Start	Initial Lease Expiry	Lease Expiry	ROR	Net Rental / Estimated	Net rental \$/psm	Outgoings / Estimated	Outgoings \$/psm	Gross \$/sqm Estimated
8 - 10 Gorge Road - Excluding the Library										
Level 1										
Office	56					\$14,000	\$250	\$4,200	\$75	\$18,200
Storage	140					\$35,000	\$250	\$10,500	\$75	\$45,500
Level 2										
Office	646				Owner Occupied	\$161,500	\$250	\$48,450	\$75	\$209,950
Level 3										
Council chambers	114					\$28,500	\$250	\$8,550	\$75	\$37,050
Car parks	11					\$11,000	\$1,000			\$11,000
										\$321,700
74 Shotover Street										
Level 1										
Office & Storage	654	1/10/2015	30/09/2018	30/09/2020	Nil	\$173,360	\$265	\$49,064	\$75	\$222,425
Man Street Carpark	17					\$28,680	\$1,687			\$28,680
										\$322,165
11-17 Church Street										
Level 1										
Office	302	1/10/2015	30/09/2018	30/09/2020	Nil	\$75,500	\$250	\$24,160	\$80	\$99,660
Office	285	29/06/2016	30/09/2018	30/09/2020	Nil	\$71,250	\$250	\$22,800	\$80	\$94,050
										\$193,710
Total Accommodation Cost QLDC Civic and Offices										
	2197 ⁽¹⁾					\$598,790				\$766,515

(1) Includes 28 car parks

Library

Premise	No	Floor Area (sqm)	Lease Start	Initial Lease Expiry	Lease Expiry	ROR	Net rental/ Estimated	Net rental \$/psm	Outgoings/ Estimated	Outgoings \$/psm	Gross \$/psm Estimated
8 - 10 Gorge Road											
Level 1				Owner Occupied							
Library		411					\$92,475	\$225	\$30,825	\$75	\$123,300

1.3

Office Accommodation Specification for Queenstown Lakes District Council

Queenstown Offices

Including Council Chamber, excluding Library

- ✓ Fringe CBD or Frankton location.
- ✓ All QLDC departments & Council Chamber located within one building over a maximum of three floor levels.
- ✓ 2,500 sqm of net lettable floor area.
- ✓ Minimum floor plate of 800 sqm of net lettable area of regular rectangular shape and minimal internal obstructions.
- ✓ Fire rating of a sufficient level to safely accommodate projected staff and visitor numbers.
- ✓ Earthquake Rating 100% of National Building Standard.
- ✓ A ground floor entry and reception for customer interface.
- ✓ An efficient reception and place of arrival providing adequate provision of meeting rooms to be utilised for internal and external meetings, and direct access to the council chambers
- ✓ Council chambers should be flexible space and easily partitioned to create smaller meeting rooms
- ✓ Artificial or Natural Lighting to an acceptable OSH standard.
- ✓ Efficient Heating and Air conditioning system.
- ✓ Effective and flexible data and electrical cabling.
- ✓ Ground floor loading capacity for storage space.
- ✓ Observe environmentally sustainable building principles.
- ✓ The choice of site and design of any new building should incorporate flexibility for extension, or for viable alternative use if vacated.

	No	sqm	sqm	sqm / per workstation
Public Reception and Arrival Area	1	100	100	
Meeting rooms (large) -12 people	3	20	60	
Meeting rooms (small) - 4 people	6	10	60	
CEO office	1	20	20	
Mayors office	1	20	20	
GM offices and HR Office	7	12	84	
Workstations (including allowance for expansion)	180	7.5	1350	
Quiet rooms	12	3.5	42	
Lunch room	1	30	30	
Tea & Coffee prep	3	8	24	
Ablutions Male and Female incl Shower	2	60	120	
Changing room	1	10	10	
Disabled Access Toilet	2	4	8	
File rooms within office	4	8	32	
Printer rooms	1	20	20	
Computer room/storage	1	15	15	
Rubbish room	1	2	2	
Circulation & breakout Space			250	
			2247	11.9
Onsite Storage - Statutory files	1	140	140	
Council chambers (flexible meeting space)	1	110	110	
Councillors Office Retreat (4 workstations)	1	20	20	
			270	
Total Net Lettable Area			2517	
Carparks	28			

1.4 Location Summary

Queenstown CBD

- Central location convenient to professional consultants, lawyers, Destination Queenstown, Chamber of Commerce, and other public entities etc.
- Established commercial centre of Queenstown with the highest commercial activity in Queenstown Lakes.
- Recognised as the commercial centre of the Queenstown Lakes District.
- Centre of Civic pride.
- Established amenities providing busy metropolitan centre, shops, restaurants, cafes.
- Most significant professional office location in the Queenstown Lakes.
- Ample time restricted and pay and display parking.
- Office rentals competitive with all parts of Queenstown.
- Fringe CBD location has more affordable land values, and lower ground level retail rentals.
- Transport routes becoming more congested.
- Maximise the value of QLDC owned land.
- Weak public transport system.



Frankton

- Central location convenient to ratepayers, customers, contractors and staff.
- Underlying land values less than the CBD.
- Greater availability of large sites.
- Recent development of shopping centres, supermarkets and cafes.
- Close proximity to the Queenstown Events Centre.
- Proposed Library community centre likely to be based in Frankton.
- Close proximity to Airport.
- Future hub of Queenstown local business.
- Airport Noise.
- Flat land makes construction simpler, potential cost advantages.
- Fragmented in terms of commercial centres i.e. Remarkables Park, Five Mile.
- Current options are limited to office space within retail shopping centres, as opposed to dedicated office parks.
- Less travel for Arrowtown and Wanaka Councillors



2.0

Determine Options

On a practical basis either the CBD or Frankton could provide a suitable future office solution to QLDC. We have endeavoured to identify suitable future office accommodation solutions which meet the brief of being a practical accommodation solution of 'A' grade office space to support an efficient work place, with guaranteed availability within 2 – 3 years.

QLDC relocates all Queenstown offices into one existing building

There is a limited number of existing commercial office buildings in Queenstown which if vacant and available could accommodate a single tenant requirement of 2,500 sqm. However all of these buildings are currently tenanted and it is challenging to identify an existing building which could be guaranteed to provide QLDC with an accommodation solution within the next three years. QLDC sought expressions of interest from building owners circa 2012, at which time an existing building owner presented a workable solution, necessitating the landlord to extinguish existing leases within his building in favour of a long term lease to QLDC, however time has moved on and this opportunity is now firmly off the table. It is possible such an opportunity may present itself in the future, due to impending vacancy and/or a landlord wishing to fully refurbish their building. The availability of an existing building is unpredictable and there is no option that presents itself as being available within the required time line. 'A' Grade office space in central Queenstown is currently rented at rates in the range of \$250 to \$300 per sqm with outgoings in addition at approximately \$80 to \$90 per sqm.

If an existing option was available the financial cost would be as follows assuming a rental of \$550 per sqm for ground level retail and \$275 per sqm for upper level office.

	sqm/carpark	\$/sqm \$/ Carpark		
Ground Floor Reception	300	\$550	\$165,000	
Office - Fitted out	2200	\$275	\$605,000	
Estimated Outgoings		\$80	\$176,000	
Car Parks	26	\$1,500	\$39,000	
Total Rent including Outgoings				\$985,000
Plus: Tenant Consumables	2500	\$50	\$125,000	
Total				\$1,110,000
\$ / work station				\$5,873

There is approximately 1,400 sqm of existing office space within one building imminently available at Frankton with adjoining ground floor retail, and further land available to develop new buildings. We are aware of a another development soon to commence that will deliver a new 4 level office building to provide 800sqm of ground level retail and 2,000sqm of upper level office space.

QLDC relocates all Queenstown CBD offices into one premise within a new building

If a new building is the preferred or the only practical solution for a future civic building under one roof, it is necessary to identify potential suitable development sites. These sites need to be evaluated in terms of location, contour, land value, and legal ownership. In the case of QLDC owned sites it is necessary to understand the land tenure status with regard to freehold or reserve, designation limitations, future flexibility and saleability, and must ensure that adjoining QLDC land is not compromised for future development.

2.1

Potential Site Locations

Potential Locations Overview

We have identified the following potential development sites;

	Available land	Owner
Corner Beetham Street and Stanley Street	4,622 sqm	QLDC administered local purpose reserve
Gorge Road Carpark	4,886 sqm	QLDC – Freehold with designation as carpark
Man Street Roof Deck	3,961 sqm	Man Street Properties Limited
51 Camp Street	1,400 sqm	QLDC administered recreation reserve
Athol Street	1,802 sqm	QLDC – Freehold with designation for car parking.
Frankton Events Centre	2000 sqm	QLDC – Freehold with designation for multi purpose indoor and outdoor recreation, cultural and conference complex.
Frankton – Five Mile	2000 sqm	Queenstown Gateway
Frankton – Remarkables Park	2000 sqm	Porter Group

We have analysed these sites and provide the following attribute and risk table overleaf and have short listed what we consider to be the four most appropriate sites for further consideration;

Site Location Analysis – Queenstown Options

	Estimated required site area	Attributes	Risks	Action
Corner of Beetham Street and Stanley Street	2,200 sqm	<ul style="list-style-type: none"> ✓ QLDC owned land ✓ Fringe CBD ✓ Town Centre Zoning ✓ Local Purpose Reserve for community services fits use. ✓ High prominence ✓ Flat development land ✓ Adjoins QLDC car parking ✓ Makes good use of high value land ✓ Available land for future complimentary development. 	<ul style="list-style-type: none"> ❖ Will lose approximately 50 existing car parks. ❖ Land is not held in QLDC freehold ownership. ❖ Limited Joint Venture options. 	<ul style="list-style-type: none"> ➤ Shortlist for financial evaluation
Gorge Road Carpark	2,200 sqm	<ul style="list-style-type: none"> ✓ QLDC owned land ✓ Close to existing Civic building ✓ Fringe CBD ✓ Freehold land with car park designation ✓ Lower prominence 	<ul style="list-style-type: none"> ❖ Moderately sloping site and proximity of Horne Creek ❖ Potentially high site development costs as identified in 2008 report. ❖ High Density Residential Zoning ❖ Would either need to build basement carparks or lose approximately 50 existing car parks. 	<ul style="list-style-type: none"> ➤ Shortlist for financial evaluation
Man Street Roof Deck	2,000 sqm	<ul style="list-style-type: none"> ✓ Privately owned site ✓ Developer would deliver Turn Key Office solution ✓ Fringe CBD location ✓ Town Centre Zoning (transitional) ✓ Significant supply of paid car parking available 	<ul style="list-style-type: none"> ❖ Site removed from market for alternative development such as a large scale hotel. 	<ul style="list-style-type: none"> ➤ Shortlist for financial evaluation
51 Camp Street Recreation Reserve Carpark	1,400 sqm	<ul style="list-style-type: none"> ✓ QLDC owned land ✓ Fringe CBD ✓ Freehold land with car park designation 	<ul style="list-style-type: none"> ❖ Difficult tight site for building over two levels ❖ High Density Residential Zoning ❖ Will lose approximately 50 existing car parks. ❖ Recreation Reserve requiring subdivision and consent from the Department of Conservation. 	<ul style="list-style-type: none"> ➤ Remove from further consideration
Athol Street	1,802 sqm	<ul style="list-style-type: none"> ✓ QLDC owned land, including wall is effectively central Athol St ✓ Central CBD location ✓ Designated link to CBD ✓ Town Centre Zoning ✓ High prominence ✓ Freehold land with car park designation ✓ Makes good use of high value land 	<ul style="list-style-type: none"> ❖ Would need to build a base level podium to accommodate bus interchange and retain car parking. ❖ Likely to be very contentious due to transport disruption and existing infrastructure. ❖ Expensive construction due to base podium. 	<ul style="list-style-type: none"> ➤ Remove from further consideration

Site Location Analysis – Frankton Options

	Estimated required site area	Attributes	Risks	Action
Frankton Purpose Built	2,000 sqm	<ul style="list-style-type: none"> ✓ Privately owned land or QLDC owned land. ✓ Frankton File Mile or Remarkables Park ✓ Frankton Flats, Rural General or Remarkables Park Zone ✓ Flat development land. ✓ Single level or multi-level development ✓ Purpose built car parking will be required for large staff contingent. ✓ Lower land values ✓ Potentially lower rental and outgoings ✓ Could be co-located close to the Queenstown Events Centre. 	<ul style="list-style-type: none"> ❖ Located outside of CBD ❖ Playing field land under demand pressure due to growing population. ❖ Limited Joint Venture options. ❖ Airport noise and build height restrictions. 	<ul style="list-style-type: none"> ➤ Shortlist for financial evaluation
Frankton Potentially Available		<ul style="list-style-type: none"> ✓ Remarkables Park delivering a new four level retail and office building to the market. ✓ Completed 'A' grade space available for lease. ✓ Five Mile have approx. 1800 sqm of completed space of which 1400 sqm is currently available for lease. A dedicated office building could be erected adjacent to existing building to accommodate remaining QLDC departments across two floors. ✓ Purpose built car parking will be required for large staff contingent. 	<ul style="list-style-type: none"> ❖ Located outside the CBD ❖ QLDC workplace compromised due to multi floor or occupancy of two buildings. 	<ul style="list-style-type: none"> ➤ Shortlist for financial evaluation

We provide a summary of these options in Appendix 2 to this report.

3.0

Accommodation Cost Analysis

QLDC has three CBD office locations. Operationally it would be preferable and significantly more efficient to occupy a single building. The requirement is for a building providing a net lettable floor area of approximately 2,500 sqm. The configuration of a building providing this space requirement could be over a single floor plate or multiple floor plates. We have adopted a two level building solution with two large 1,250 sqm proposed floor plates as we believe this would be efficient and suitable for QLDC. Our assumption is a good quality commercial building providing a practical 'A' Grade office accommodation that is impressive but not grandiose.

We provide the following cost analysis which endeavours to provide a total occupancy cost in terms of rental, outgoings and tenant consumables such as electricity and cleaning. As future options to meet the brief can only be new builds, we have estimated land values and the cost of construction to deliver a fully fitted out office accommodation solution to an 'A' Grade standard. We are of the opinion the investment value needs to be aligned to the development cost, and therefore realistic rental rates need to be adopted that support the investment value.

There are differing tenure structures for occupation of a new building. For comparison purposes we have assumed QLDC will be the tenant of a future building and will pay rental for the accommodation. Some of the sites short listed are land owned by QLDC. In general these all have reserve designations, but also financially some are 'lazy assets' where current utilisation is an under capitalisation of land value.

We have analysed QLDC sites on a Joint Venture basis, where QLDC invests a sites land value and a Joint Venture partner invests the development skills and costs, and is the asset manager of the Joint Venture. QLDC would be the principal tenant and pay 100% of the occupancy costs, but would have a percentage ownership share of the Joint Venture vehicle which owns the complete asset and therefore the investment return would offset against occupancy costs payable. Such a JV would require a freehold site status which may prove legally challenging on the Stanley Street site.

Potentially the QLDC could develop and own its own purpose built premise, retaining community ownership of the Civic building in the long term. Current mortgage interest rates makes this an attractive option, and such an approach would enable development possible upon sites with reserve status restriction such as Stanley Street. We have provided a cost comparison on this basis.



'A' Grade two level commercial building recently constructed by Calder Stewart and offering a modern efficient design.

We have provided a base case being the current accommodation solution to enable a cost comparison. We note however the current accommodation solution is not ideal in terms of work place efficiency. It should be acknowledged that there are considerable intrinsic benefits that a modern purpose built workplace will bring to QLDC over a long period of time such as overall efficiencies, and improved workplace culture and reduced turnover of employees.

3.1

Current Accommodation

Commercial Considerations Withheld

3.2

Queenstown CBD

Commercial Considerations Withheld

3.3

Frankton

Commercial Considerations Withheld

3.4

Own and Occupy

Commercial Considerations Withheld

4.0

Summary

Commercial Considerations Withheld

4.1

Efficient Workplace Design

We are of the opinion the current office solution for QLDC is not enabling the organisation's work place environment. The space is functional in its current form, and cost effective from a real estate perspective, however our observation is QLDC's work place is fragmented between three buildings, rigid in terms layout, not strongly supporting a team environment and generally presents as an uninviting workplace. We believe QLDC organisation would greatly benefit from a modern workplace environment. A new office environment would give QLDC the opportunity to create a positive workplace culture throughout the organisation. New office accommodation does not achieve this on its own, and an Alternative Workplace Strategy (AWS) must be followed to ensure workplace habits are modified to enable people to work together within one office premise in a largely open plan environment that fundamentally alters an employee's sense of workplace interaction, responsibility and task.

Through implementing AWS, organisations are achieving objectives such as:

- *Buy-in* of the organisations culture;
- Increased employee productivity and profitability;
- Increasing employee satisfaction and retention;
- Improved client service;
- A shared organisational learning environment;
- Embracing new technology and communications systems;
- Creating team environments;
- Interaction between individuals and teams through co-locating individual and shared work areas;
- Ease of supervision and monitoring;
- Increased space efficiency thereby reducing the cost of staff and workstation turnover and occupancy;
- Access to natural light.

Flexible Office

The flexible office is an open workplace that is configured so it meets individual needs for working, whilst providing the flexibility for interaction with colleagues and project teams. Instead of being confined to an office or workstation employees work within a dynamic and communal workspace with easy access to all the elements they require to do their work efficiently and in an ergonomically safe and comfortable workspace. Work areas have a generous footprint with a strong emphasis on achieving individual space. In terms of personal needs each floor has sufficient meeting rooms and quiet rooms. In addition, break-out and informal meeting areas are strategically placed in order for staff to socialise and collaborate away from the workstations

The overall objective of the flexible office is to provide individuals with space in order to enjoy work in a comfortable environment, while giving them a perception of individual control. While QLDC in general has an open plan environment, the space utilisation is re-active rather than planned, and the modern work place requires a better balance in terms of work stations, quiet rooms and breakout areas that create an inviting workplace where people work synergistically.

Benefits of Efficient Workplace Design

Benefits	How Benefit is Achieved
People: Improved liaison between activities Clear understanding of job roles and responsibilities Flexibility Catalyst for change	<ul style="list-style-type: none"> ▪ Empowerment programs to foster team working ▪ Consolidate functions, co-locate teams ▪ Innovative work place practices ▪ Involvement of end users in work space planning
Process: New business processes operating effectively Alignment of business processes and space use	<ul style="list-style-type: none"> ▪ Process mapping and reflection of process in space use ▪ Integrated planning of process and space design
Technology: Improved responsiveness Reduction in paper flows Simplified processes	<ul style="list-style-type: none"> ▪ Co-ordinated IT and accommodation strategy ▪ Office suitability for IT infrastructure ▪ Innovative workplace practices
Cost: Reduce the cost of staff turnover. Reduce property operating costs	<ul style="list-style-type: none"> ▪ Flexible configuration ▪ Potential to reduce space required ▪ Rationalise and enhance utilisation of property portfolio ▪ Innovative workplace practices
Risk Category	Potential Risk
Project Risk	<ul style="list-style-type: none"> • Poor change management process • Inadequate communication to employees • Morale of employees may be affected during transition
Business Risk	<ul style="list-style-type: none"> • Accommodation strategy not meeting client requirements • Dramatic change in business direction post implementation • Loss of senior management
Financial Risk	<ul style="list-style-type: none"> • Occupancy cost savings not achievable • Project cost over-run, i.e. increase cost of churn
Premises Risk	<ul style="list-style-type: none"> • Poor location or changes in external clients • Poor space planning • Dramatic change in space variables, i.e. staff numbers, output
Implementation Risk	<ul style="list-style-type: none"> • Poorly managed transition into new or refurbished accommodation causing loss in productivity

4.2

Recommendation

Recommendation

In our opinion QLDC must be supported by an efficient well planned work place. A modern well designed office accommodation layout will provide a significantly different work place than currently provided. An Alternative Workplace Strategy must be implemented when taking up new office accommodation to ensure departments are appropriately located, and QLDC staff/employees are trained to work in a courteous and productive manner. A modern well thought out workplace will significantly benefit the operational performance of QLDC resulting in better outcomes in terms of staff recruitment and retention, reducing workstation turnover costs, and ultimately better more efficient service delivery to ratepayers and customers.

We are therefore of the opinion QLDC must plan the development of a new office accommodation solution contained within one building to be available for occupation by October 2018 coinciding with the opportunity to exit existing lease agreements at no penalty cost.

In terms of location QLDC could be located at Frankton and there are strong practical factors and financial fundamentals which support a relocation to Frankton. However Frankton is fragmented either side of the Airport, and the location does not have the same comprehensive amenity as is available within the CBD. At the time of writing this report it is unclear which part of Frankton will become dominant and from that perspective a decision to shift to Frankton will be alot clearer within 5 -10 years. If QLDC was to relocate to Frankton there is opportunity to develop offices at or close to the Queenstown Events Centre and this would pull the organisation closer together, however such development could put further strain on land available for playing fields and courts.

The Queenstown CBD is the effective capital of the Queenstown Lakes. An office building under one roof including the Council chambers will create a Civic heart and an identifiable one stop destination for customers. There is the opportunity to develop a building that is not grand, but delivers a quality 'A' grade building reflecting Civic Pride and promoting QLDC as a professionally run organisation. The financial cost analysis indicates while it is more expensive to be located in the CBD, the additional cost is not excessive. The Queenstown town centre is full of vibrancy, it is the focal point of the lakes area as a whole.

There is a mix of tourists and of local business people within the town centre. The business community within Queenstown is strong and these local participants keep the CBD of Queenstown real and relevant. The relocation of QLDC out of the CBD to Frankton would have a significant impact on the CBD in terms of the number of locals working in town. The CBD provides a wide array of amenities, has the establishment of a city centre, with extensive on street, and public car parking available, and time tabled public transport. It is noted QLDC staff regularly utilise Memorial Hall for larger functions.

The requirement for new office accommodation provides QLDC with the opportunity to develop a new building upon its own land. This is especially relevant in the case of Stanley Street which has a reserve designation supporting such a development, and is land which is currently underutilised in terms of development.

Accommodation Brief Recommendation

We recommend the following accommodation brief for QLDC Civic Offices

- ✓ A Queenstown CBD location
- ✓ Plan a new modern workplace within a new flexible 'A' Grade building.
- ✓ 2,500 sqm of net lettable area –Two level development
- ✓ Maximise use of QLDC land, selecting a site that best fits the organisational needs.
- ✓ Ensure the development is architecturally designed and sympathetic to Queenstown traditional design values. Observe environmentally sustainable building principles where practical.
- ✓ Select an experienced and substantial Development Partner
- ✓ Explore the practicalities of a Joint Venture where QLDC contributes the land value component to the completed development. Potentially QLDC could contribute a higher equity stake. The Joint Venture development partner agrees to deliver a turnkey solution for a fixed price, takes a majority ownership of the completed property and manages the future developed property.
- ✓ QLDC enters a long term lease of 12 to 15 years plus rights of renewal
- ✓ The lease has agreed fixed rental increases at two yearly reviews
- ✓ Explore owner occupation of a community owned civic building where the QLDC finances the development of a building for long term occupation.
- ✓ A modern workplace with a reception having a sense of arrival and providing a public counter space, integrated council chambers and meeting rooms which are efficiently designed
- ✓ Adoption of an open plan flexible workplace complemented with break out areas and quiet rooms.
- ✓ Offices for Executive and General Managers, and Human Resources manager
- ✓ A building design supporting excellent natural light to all work place occupiers
- ✓ Building design should be flexible to accommodate sub tenants if required
- ✓ Building design that is not specific and provides a base line office space layout, or could be converted to visitor accommodation or another use at the end of the lease, thus retaining long term property value and exit strategy.
- ✓ 28 long term carparks

Managing The Transition

Managing the Transition;

- ✓ Plan a strategy around accommodating Gorge Road staff through to October 2018
- ✓ Determine a timeline to negotiate, plan and develop a new council office premise under one roof with a target project delivery and occupation date of October 2018 and no later than October 2020.
- ✓ Ensure the proposed building site is suitable and viable in terms of geotechnical, legal and local authority designation.
- ✓ Any site selected for a Joint Venture must be made freehold, with no reserve designation.
- ✓ Appoint an Architect with strong alternative work place credentials to design a future building and to plan an efficient productive modern office environment.
- ✓ Communicate the future office accommodation plan and strategy to QLDC organisation as a whole and get them on board with the planned journey.
- ✓ Select an experienced and substantial Development Partner
- ✓ Time line the development through to completion
- ✓ Relocate to the new office space
- ✓ Terminate existing office lease agreements which have been structured to have minimal exit costs
- ✓ Sell the Gorge Road premises 'As Is'. Current market conditions are favourable particularly for a purchaser who may consider a conversion of this property to visitor accommodation.

Furniture

Our analysis has included the cost of office fit out, but has not included the cost of furniture. We understand the QLDC has implemented a program of upgrading workstations over the past few years, which are modern and of good quality and can be utilised within a new premise. This staged upgrade should be continued to ensure a new work place is flexible, uniform and provides an efficient and well presented workplace.

Tenure

QLDC currently meets its accommodation requirement via a mix of freehold ownership of Gorge Road and lease occupation of Shotover Street and Church Street. QLDC could potentially develop its own premise on its own land and retain freehold ownership. This option would require QLDC to contribute capital investment and obtain debt funding, and would involve project risk delivering the new building. Potentially QLDC could contribute land and proceeds from the sale of Gorge Road and obtain very favourable interest rates on borrowings and this may serve to be the most cost effective solution in terms of tenure. The development risk could be mitigated via a fixed price construction contract.

The alternative option is for QLDC to occupy the future office accommodation as a tenant. This option ensuring capital can be employed elsewhere. QLDC would have no development risk. In the case of a QLDC owned land this would necessitate the land component to be sold to a developer.

A third option would be for QLDC to enter into a Joint Venture with an experienced and reputable developer/investor partner. In this scenario QLDC would contribute the land required for the future development and the Joint Venture partner would contribute their development expertise, a turnkey completed building, and ongoing management of the asset. QLDC would be the tenant and pay 100% of the rental cost. The Joint Venture vehicle would be owned by QLDC and the partner, with QLDC's share being equivalent to its land value contribution.

QLDC is not a property developer, and should avoid exposure to development risk. We are of the opinion the development should be kept as simple as possible i.e. a single two level building with adjoining car parking. While there will be a temptation to tie in other initiatives such as building public carparks, or developing a library building, such projects should be looked at in isolation from the development of a Civic Commercial Office building development.

An experienced development partner should be engaged to deliver the project to ensure the project is managed professionally and efficiently.

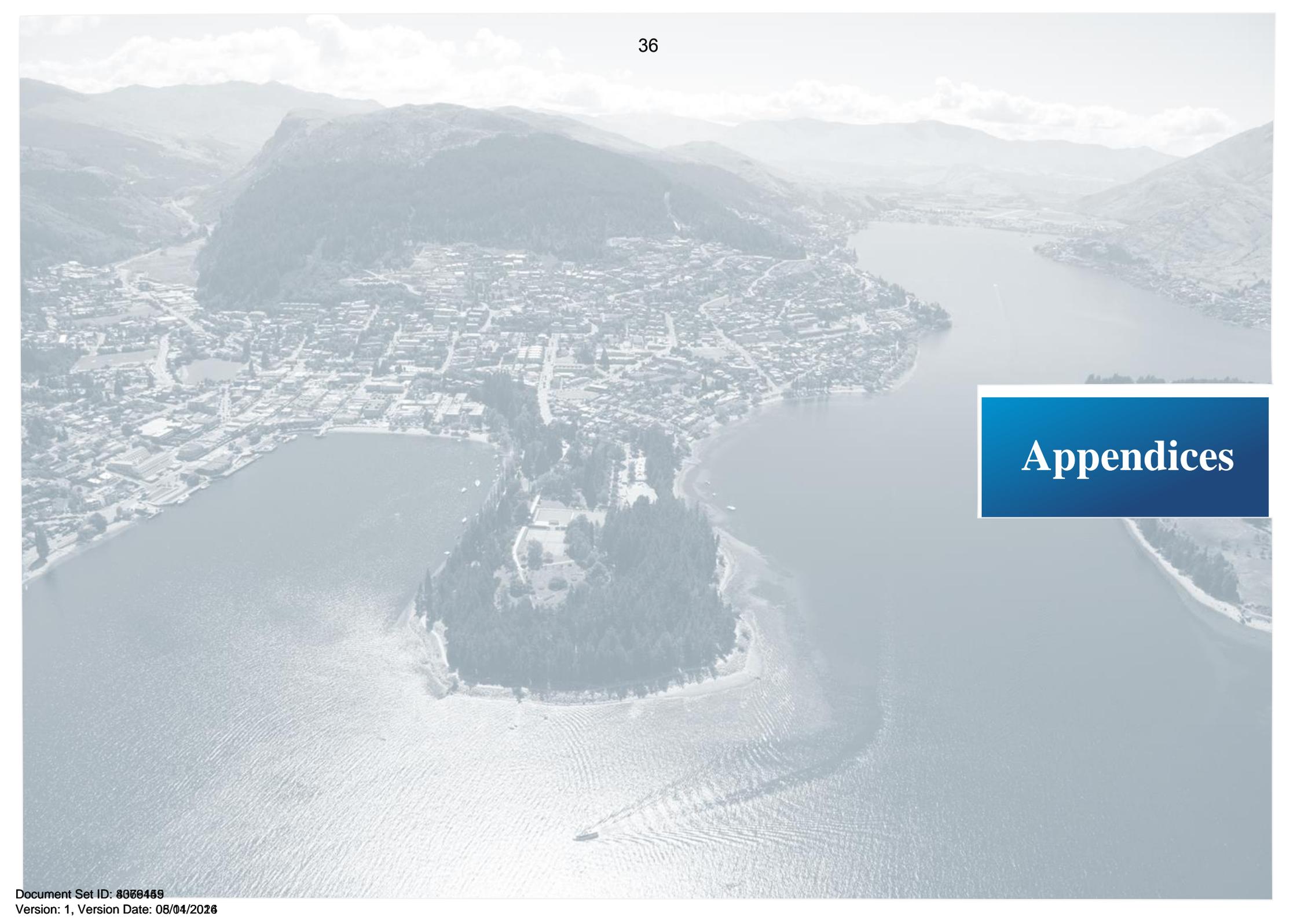
Joint Venture

If a Joint Venture was to be contemplated the partner needs to be an experienced reputable organisation, both in terms of development, but also in terms of future management and ownership. An asset having QLDC as the tenant on a long term lease would be a very attractive investment accordingly it would not be difficult to attract suitors. A formal process should be followed to shortlist and then select a favoured Joint Venture partner.

Library

We are aware the future shape of how library services are delivered to the Queenstown community is under review. The future provision of a library is likely to be part of a larger community centre facility, designed to modern day best practice standards. We understand the target date for delivering such a facility is planned for 2020. The current facility occupies approximately 400 sqm. If the library facility was relocated to Frankton it is intended a CBD presence will be retained at minimum in the form of a pickup and returns counter incorporated within a future civic building, or in the event there is no Civic building in the CBD within a small ground floor retail premise.

Colliers understand a move from Gorge Road will require a solution for the current library, on the basis of an interim solution that facilitates the ongoing operation of the library. A future community centre that includes the library function will be considered independently of the office accommodation review.

An aerial photograph of a town situated on a peninsula or near a large lake. The town is densely packed with buildings and roads. In the foreground, a small island or peninsula is covered in trees. The water is dark blue, and there are some ripples on the surface. In the background, there are mountains under a cloudy sky. A blue rectangular box is overlaid on the right side of the image, containing the word "Appendices" in white serif font.

Appendices

Appendix 1

Questionnaire Response Summary

1. How do the staff in your division work?

Are they office bound all day, do they work away from the office but need a base, do they need open plan space to collaborate and work as a team, do they need an office full time or a workstation with access to a quiet space to concentrate on certain tasks, do they need privacy, is their work confidential, do your staff interact with the public and suppliers on a regular basis. Is there a demand for 'hot desks'.

The general response to this question is the Mayor, Executive Management and General Managers all require an office due to privacy and confidentiality issues. These offices will often be used for smaller meetings. The Human Resources manager requires an office for privacy and personal files. Payroll is now processed in open plan environment with a modified computer screen. Corporate Services believe there is a benefit in offices containing two managers, as this is efficient in terms of communication, and being able to close a door for sensitive discussion. There is a need for small office retreat room for councillors containing four work stations with flexibility to enable councillors to have one on one meetings. There are people in QLDC who need quiet work space for thinking and the writing of complicated documents. Open plan is generally considered appropriate to most of the organisation, however more quiet rooms would improve the overall workplace. QLDC offices being located in more than one location requires staff to move between offices, and it would be more efficient to be in one building. Regulatory have 4 parking officers who can hot desk and require one work station they can share. Finance staff are generally office bound, however two of the staff roam between offices and currently have a hot desk policy, if the organisation was under one roof there would be less need for hot desks. Planning and Development have staff in Wanaka who work out of Queenstown from time to time and hot desks are required for these staff, in general they will use desks of people on leave for example it is not always easy to find a desk. Parks and Property approximately 20% of staff are out of office but need a full time workstation to return to. Breakout areas are very important and there are a lot of meetings with contractors and consultants.

2. Given the above what are the needs of your division in terms of number of offices, workstations and quiet rooms.

	Office	Workstations	Total People	Quiet rooms
CEO	1	0	1	0
Corporate Services	6	37	46	2
Finance	1	16	17	1
Planning & Development	1	55	56	3
Infrastructure	1	32	33	5
Regulatory	1	12	13	1
Mayor	1	0	1	0
Councillors	1	0	4	0
	13	152	171	12

3. In what parts of your division is privacy or noise an important consideration?

Senior management including Human Resources need an offices for privacy and to be removed from noise. Second tier managers don't necessarily need their own office, however there is obvious benefit in sharing an office between two managers in terms of delicate conversations, and requiring a quiet environment with no distraction to complete reports and policy documents. Councillors require work station space when using the chambers, and it is considered it would be sensible to have a councillors office space with work stations which could be used for private meetings, and made available when not being used as a flexible work space. There are parts of the team that have noisy roles i.e. dealing with public complaints and ideally these people need to be located in an area of least disruption to other groups with good sound buffering. In general there was a thought that people needed to be respectful in terms of noise, and the culture was pretty good in this respect. Payroll was an obvious area where privacy and storage of files needed special consideration. A good provision of shared quiet rooms would improve the workplace vastly.

4. Are current communication levels within your division acceptable? How could they be improved?

The general consensus was within departments communication was OK, however QLDC having three office locations was considered to be inefficient in terms of communication, and this would be much improved if all under one roof. The organisation was lacking the 'around the water cooler chat' which can be very useful when 'letting the left hand know what the right hand is doing', and this could translated into a much more efficient QLDC service. The finance department has two employees who roam between buildings and need hot desks while away from Gorge Road. Planning and development open plan and good communication levels.

5. Do you consider the current accommodation to be conducive to good staff morale? What improvements would make a difference?

Overall the current workplace is at capacity in terms of work stations. Gorge Road has a good work place culture and management have consciously worked to achieve this. There is a level of uncomfortableness with regard to Earthquake concern and building safety. Anxiety in this regard was raised during the recent seismic event, but has now settled down. The ablution facilities are considered to be sub-standard and under provided for. Meeting rooms at Gorge Road are limited, and off site meetings are common place. Meeting rooms are currently being used to accommodate workstations, and when auditors come in they take over meeting rooms which puts pressure on meeting room availability for customer interface.

The workplace culture in 74 Shotover Street is considered to be weaker than Gorge Road. The workplace is perceived to be tired with worn carpets and needs redecoration and the space is cramped. Shotover Street has been laid out so that open plan work spaces receive good natural light, the Shotover Street building has good views, and is in handy proximity to cafes etc. Planning and Development are very cramped in and very busy, the current space is not ideal in terms of staff morale.

38

6. In terms of efficiency, which divisions / offices/ areas, does your division need to be physically situated near.

	Infrastructure & Parks	Planning & Development	Regulatory	Corporate Services	Finance
Infrastructure & Parks		1	2	4	3
Planning & Development	2		1	3	4
Regulatory	4	3		1	2
Corporate Services	4	3	2		1
Finance	2	3	1	4	

This question also asked the importance of being located in close proximity to the Mayor, the CEO and the council chambers. From interview discussion close proximity to the Mayoral Chamber was an important factor when Council was in session, when council staff were required to be available to present papers and answer questions. While these meetings are scheduled, they often over run and council staff can often be on standby waiting to be summoned, and therefore need to be in the Council Chambers building. Therefore staff located in other buildings are often sitting waiting at Gorge Road, where if they were in the same building they could stay working at their desk until required. Close proximity to the CEO was seen as preferred and important, while close a proximity to the Mayor was important for corporate services but less important to other departments.

7. How does the location of current QLDC office accommodation impact your division? Would a single QLDC building improve any short comings?

A single building with all departments under one roof would be beneficial, would improve communication and efficiency in general. The current accommodation arrangement provides a challenge in terms of isolation within departments, walking time between buildings for both staff and customers, Silo issues would be broken down by a single building, and different buildings make engagements more difficult. Face to Face interaction would be improved, casual meetings would improve communication.

8. What are the frequency and nature of meetings within your division? Internally with staff, and externally with the public, dedicated meeting room, or shared, or off site in cafes?

There is ongoing requirement for meeting rooms for internal meetings, there is a need for a large meeting space when whole of department meetings are held at a frequency of once per month, and the council chambers or Memorial Hall is used for these. There is a need for medium sized meeting rooms for approx. 8 -15 people for team meetings. There are often meetings held off site at hired venues due to a lack of meeting rooms. Internally there is a frequency of smaller meetings that are often held within manager's offices when no other option is available. Meeting rooms at Gorge Road are occupied for a few weeks every year by auditors and this is not ideal. There is a high frequency of external meetings, customers, contractors, consultants and ratepayers visiting the council. In some instances a lack of meeting rooms necessitates meetings to be held back office with external people entering the work place where confidential information is being processed and this is not ideal. Overall the current meeting room allocation is considered to be insufficient to meet needs. There is also the recognition cafes can provide a good venue for less formal meetings, and offer a more relaxed environment, although not suitable for larger meetings.

9. Would a combined reception, public space, meeting rooms & mayoral chamber be area be beneficial to your division?

The general response to this question was yes, but there wasn't any strong opinion other than to acknowledge there would be good efficiencies.

10. What foreseeable division changes are apparent, and what impact is this likely to have on your division's future accommodation requirement, Increase or decreasing staff numbers, outsourcing, Technological or Process improvements, Alternative workplace strategies.

It was acknowledged the current workloads was putting staff under pressure and there was a view that there was probably a requirement for staff to grow, but not dramatically so. Some functions were being outsourced to manage work turn around. Generally a large increase in Council employees over time was not projected. However as Queenstown continues to grow an increase in staff is inevitable.

39

11. What are your Divisions storage requirements? Onsite, Offsite.

There is a need for onsite in office storage of files, some of these need to be secure, and also manuals etc. There are storage rooms for files at 74 Shotover Street, for live property files that need to be easily retrieved. There has been a push toward scanning and a lot of files are now held electronically, and potentially further progress can be made in this area. There is a need for a server room and an area to store IT equipment or this could be cloud based. Gorge Road has 140 sqm of onsite storage on level one, this space is required to store files in current transaction status generally these files had to be retained onsite for 2 years before they could be moved offsite. There is a significant number of files stored offsite within the former camping ground, the organisation of this is considered poor, and potentially these files need to be tidied up electronically. Regulatory needs access to a changing room with lockers for parking officers. On inspection we noted two printer rooms. There is a requirement to accommodate a larger printer and this is a relatively noisy machine that needs to be contained within a room where door can be shut.

12. Do your staff use QLDC vehicles, what onsite car parking is required?

Staff vehicles are utilised on a car pool basis. There are 9 parks utilised at Gorge Road, and a further 17 parks leased within the Man Street carpark.

13. How do your staff transport to and from work? Walk, Bike, Car, or Public Transport.

In general cars were considered to be the main form of transport for Council employees, and therefore ample free or low cost car parking was seen as an attractive proposition. There are people that bike to work but not a lot, a secure bike shed was seen as a sensible solution to stop bikes being brought into the work place, a changing room and more than one shower would be a good facility for staff to be able to utilise.

14. How do you rate the current workplace environment and quality of building in terms of how QLDC goes about its business

Gorge Road	1 = Highly Effective 5 = Highly Ineffective
Air Conditioning/ Heating	5 - Poor
Natural Ventilation	4 -5 – Not considered to be effective
Natural Light	Response was 2 – 4, considered adequate
Ablution Facilities	5 – Poor in terms open stalls and privacy, females were more concerned with regard to this aspect.
Lift Systems	2 - Good
Security	3 - 5 The office has a reception to prevent strangers entering offices however a swipe card access system would be considered to be superior. The majority felt it needed to be improved.
Noise	4 – In general noise was an issue and the work place is considered to be very noisy and in need of a greater provision of quiet rooms.
Furniture/ Fit out	3 – Adequate
Public Reception	3 - Adequate
Meeting rooms	2 - 4 this response was balanced in that meeting rooms for managers could be used for meeting rooms, departments with less offices felt meeting rooms were inadequate.
Layout - Inter department Collaboration	2 - 4 response was varied, majority felt the layout was ineffective, and not enough breakout areas.
Storage onsite	2 - 5 response was varied, good in terms of a large number of files needing to be retained onsite, but it was felt day to day storage was weak.
Car parking	1 - Good
Flexibility to change workstation layout.	3 - Adequate
Photocopy/ Printers/ Copiers	2 - Good

Shotover Street	1 = Highly Effective 5 = Highly Ineffective
Air Conditioning/ Heating	5 – Poor either too hot or too cold, system doesn't work properly.
Natural Ventilation	1 - Very good, a lot of openable windows.
Natural Light	1 - Good, meeting rooms and storage rooms have been placed in areas with no natural light.
Ablution Facilities	5 – Poor
Lift Systems	4 – Dated lift requires upgrading.
Security	3 - Adequate
Noise	4 - Work space at capacity, a noisy workplace due to lack of quiet areas, and phone conversations with customers.
Furniture/ Fit out	5 – Poor considered worn out and not conducive to a modern work place.
Public Reception	2 - Good
Meeting rooms	5 – Small, not enough and dark lacking natural light, and customers having to walk through workplace to use meeting room inappropriate.
Layout - Inter department Collaboration	5 – Poor general feeling staff are jammed in, no breakout areas, very rigid.
Storage onsite	5 – There is a feeling the storage space is poorly utilised and needs rationalising.
Car parking	5 – Difficult for staff to find car parks, but Man Street car park is good and provides convenient parking for work vehicles
Flexibility to change workstation layout.	5 – Desks are crammed in , no scope to change layout.
Photocopy/ Printers/ Copiers	2 - Very Good

15. What would the best location for your office accommodation be in terms your division of delivering services;

To Ratepayers / Customers

	1 = Highly Effective 3 = Highly Ineffective
Queenstown CBD	1 2 3
Queenstown CBD fringe – Gorge Road	1 2 3
Frankton Shopping Centre Location	1 2 3

The response varied. In general it was thought there were benefits for and against any of these options. Infrastructure had a strong opinion the CBD was the best location and provided the most convenience. Finance felt overall Frankton would be more convenient for customers provided good car parking.

For Staff – Work Related Activity

	1 = Highly Effective 3 = Highly Ineffective
Queenstown CBD	1 2 3
Queenstown CBD fringe – Gorge Road	1 2 3
Frankton Shopping Centre Location	1 2 3

Frankton was considered to be a convenient location for contractors to visit. It was noted Frankton shopping centres lack the amenities of the CBD and opportunity to network / meet with other non local government professionals. It was felt QLDC needs to be near DQ, Chamber of Commerce, local consultants and lawyers who the majority are based in the CBD.

To Suppliers / Consultants

	1 = Highly Effective 3 = Highly Ineffective
Queenstown CBD	1 2 3
Queenstown CBD fringe – Gorge Road	1 2 3
Frankton Shopping Centre Location	1 2 3

There are suppliers and consultants located outside of the CBD, in general response was Frankton is good if it provided good car parking, a lot of tradesman would find Frankton more convenient. There was concern there would be a disconnect with professional firms who are currently located in the CBD.

For Staff Convenience – get to work, parking, and access to amenities

	1 = Highly Effective 3 = Highly Ineffective
Queenstown CBD	1 2 3
Queenstown CBD fringe – Gorge Road	1 2 3
Frankton Shopping Centre Location	1 2 3

Frankton offers a good location in terms of staff home to work access ability. It would appear that over 50% of staff live in a location where Frankton would be a more convenient office location. However it was felt the CBD was a superior location in terms of offering amenities such as cafes.

Staff Working Location and Residential Summary

Working location: Wakatipu	TOTAL	Residential location						
		Frankton - East	Wanaka	Cromwell Alexandra Queensberry	CBD Frankton Road Goldfield Heights	Arthurs Point	Fernhill - West	PO Box; or no address details*
QEC	98	51	0	1	16	4	18	8
QTN Parks Depot	12	6	0	0	3	0	2	1
Arrowtown/Kingston /Glenorchy Libraries	5	3	0	0	0	0	2	0
Gorge Road (inc library)	78	33	0	3	13	3	15	11
Shotover St	80	23	7	9	9	11	9	12
TOTAL QTN CBD (Gorge Rd & Shotover Street)	158	56	7	12	22	14	24	23
		35.44%	4.43%	7.59%	13.92%	8.86%	15.19%	14.56%
Queenstown-based staff total	273	116	7	13	41	18	46	32
		42.49%	2.56%	4.76%	15.02%	6.59%	16.85%	11.72%

16. Where should the council chambers be located?

In the same building as future Council offices and this was more convenient for staff. Also the council chambers if located with offices offer useful meeting space, so the facility can be used when council not in session.

17. Should the council chambers be larger or smaller than current facility?

Larger, needs to provide a larger public gallery, the facility should provide for multi functionality.

18. How important is it that QLDC retains a Civic Centre building in the Queenstown CBD?

From an operational point of view it is not critically important. There was comment the CBD is the at the heart of Queenstown, the centre of commerce, and QLDC needs to have a strong presence within it. Queenstown's business leaders are located in the CBD and Council should be close to these. There were some strong views the council chambers should be in the CBD. There are council owned sites which have reserve designation which could only be developed with council related activity therefore this land could be put to good economic use. QLDC offices are a strong part of the fabric of the local business community situated in Queenstown. It is expected Frankton will increasingly become the hub of local Queenstown, that car parking and transport are issues that should be recognised. Frankton however is still in an establishment phase , and is fragmented between shopping centres. Ideally a QLDC under one roof including a council chambers is preferred. If a Civic building can be delivered at a viable cost on the fringe of the CBD and utilise QLDC land effectively then this would appear to be a good solution to meet QLDC's long term requirement.

Appendix 2

Commercial Considerations Withheld

Appendix 3

Scope of Process

Consultation Process	Office Accommodation Specification	Determine Options	Accommodation Cost Analysis	Timeline Projections
<ul style="list-style-type: none"> Obtain QLDC organisational chart current staff numbers and projected. Obtain pertinent employee information from Human Resources Interview General Managers Consult with Councillors Prepare short questionnaire to determine key high level accommodation requirements. Survey Suppliers to QLDC in terms of location. Investigate modern library / public space options, interview librarian. 	<ul style="list-style-type: none"> Location Building configuration Artificial and natural lighting, Heating and A/C, Power & Data Cabling Floor load capacity / fire regulation Public Counters and reception council chambers Mayoral and executive office requirements Open plan/Office management areas. Open plan workstation areas Flexible Meeting Quiet rooms, Breakout areas Ablution facilities Storage, & Computer room Car parking Public Library 	<ul style="list-style-type: none"> New location within existing building New location within a new building Privately owned land QLDC owned land Engage space planning consultant to mock up proposed layouts 	<ul style="list-style-type: none"> Determine Current State accommodation costs as a base case. Determine comparable base cost analysis Investigate occupation structures Lease Existing building Lease New building Develop and own New building Develop New building in JV. High level fit out & furniture costs 	<ul style="list-style-type: none"> Delivery Considerations Potential partners/landlords Identify barriers, existing tenancies, status of QLDC owned land etc.
Outcome				
<ul style="list-style-type: none"> Understand QLDC organisation needs, now and projected future. Understand staff numbers, how staff work, space required to support their workplace, inter relationships between departments. Understand locational requirements Understand optimal building form Understand split locational possibilities 	<ul style="list-style-type: none"> Determine optimal location and recommend Determine accommodation area requirement, in square metres. Determine co-locational possibilities 	<ul style="list-style-type: none"> Provide current market commentary for Queenstown office accommodation Summarise Accommodation options Shortlist best four options 	<ul style="list-style-type: none"> Provide a Cost benefit analysis Gross effective Cost per employee analysis Provide Recommendation 	<ul style="list-style-type: none"> Provide a realistic project timeline
Resources				
<ul style="list-style-type: none"> QLDC to provide organisational chart. Colliers to interview General managers Colliers to prepare questionnaire QLDC IT to prepare and distribute survey. Colliers/QLDC to view examples of new age libraries in other centres. Colliers to collate Key observations 	<ul style="list-style-type: none"> Colliers to analyse data and determine high level accommodation requirement and estimated area required. 	<ul style="list-style-type: none"> Colliers/ QLDC to shortlist four best options. Colliers to provide report. Engage Space planning consultant to provide office layout plans 	<ul style="list-style-type: none"> Colliers to provide financial analysis. QLDC to provide costing information with regard to furniture. Colliers to provide report and recommendation. 	<ul style="list-style-type: none"> Colliers to deliver project time line.



Project Connect

**Commercial options
assessment**

2 July 2018

Contents

1	Background and purpose	2
2	Executive summary	3
3	Key requirements and constraints	5
3.1	Service requirements	5
3.2	Key constraints	5
4	Market analysis	7
4.1	Commercial structures in practice	7
4.2	Market players	7
5	Commercial considerations	9
5.1	Commercial principles	9
5.2	Assessment criteria	9
6	Procurement options	11
6.1	Overview of procurement options	11
6.2	Market sounding feedback	12
6.3	Options assessment	13
6.4	The preferred procurement approach	15
6.5	Next steps: refinement of the preferred option	18
Appendix A	Long list of procurement options	19
Appendix B	Options assessment summary	27
Appendix C	Financial impact	28

Important notice

This report provides a summary of KPMG's findings of the work for Queenstown Lakes District Council (QLDC) under the terms of the Contract between KPMG and QLDC signed on 23 March 2018 and variation signed on 6 May 2018.

This report is provided solely for the benefit of the parties identified in the Contract and is not to be copied, quoted or referred to in whole or in part without KPMG's prior written consent. KPMG accepts no responsibility to anyone other than the parties identified in the Contract for the information contained in this report.

1 Background and purpose

QLDC has engaged KPMG to identify and assess procurement options for the delivery of a new council office building, known as Project Connect. The new accommodation would consolidate QLDC's town centre based staff and elected members into a single location from its existing disparate sites.

This report sets out the:

- objectives and commercial assessment criteria;
- long-list of potential procurement options, including key features, pros and cons, and financial profile;
- feedback from a market sounding exercise to assess the procurement options and market interest in the project; and
- a short-list of options and suggested way forward based on the assessment criteria and market sounding feedback.

QLDC previously commissioned an Indicative Business Case (IBC) which was completed in November 2017. The IBC provided an initial assessment of the strategic, economic, and financial case for Project Connect including the selection of the preferred site. KPMG's role has not included any further analysis of these aspects.

2 Executive summary

Key site considerations

This paper considers the procurement options that are suitable for developing Project Connect on the Ballarat Street site in line with the preferred way forward set out in the IBC.

QLDC has sought legal advice on the use of the Ballarat Street site given its status as a local purpose reserve. Accordingly, QLDC must hold and administer the site for its local purpose, which is currently “community centre and car parking”. While it may be feasible to remove the restrictions related to the site’s local purpose by swapping its reserve status with another site, this is expected to be time-consuming and uncertain, and requires ministerial approval. The removal of the reserve land status is not required to meet the investment objectives of Project Connect but imposes restrictions on the available procurement options.

The Ngāi Tahu Claims Settlement Act 1998 grants a right of first refusal (RFR) over the site, which effectively prevents its disposal and limits any leasehold on the site to less than 50 years unless it is offered to the beneficiary of the RFR.

This note considers the implications from the aspects above in terms of commercial procurement options. However KPMG is not able to provide legal advice with respect to these issues. We recommend that QLDC obtain advice from specialist legal counsel on its rights in relation to the use of the site and its consultation obligations to affected parties.

Procurement options

The above restrictions limit the alternative uses of the site, its appeal to investors and the type of finance that private companies could raise to it. They effectively exclude options that require the sale or long term lease of the land unless it is with Ngāi Tahu and/or Ngāi Tahu waive their RFR.

Six potential procurement options were identified based on precedents in similar projects. They were assessed using commercial criteria agreed with QLDC and feedback from a market sounding exercise with potential equity investors and construction contractors.

Accordingly, three options were short-listed:

- a) Design-Build + Hold – a traditional procurement approach where QLDC commissions the design and construction, and finances, owns and maintains the building. This may involve separate procurement for design and construction (Design-the-Build) with more input and responsibility by QLDC in managing delivery, or procurement through an integrated design and build arrangement (Design-and-Build).
- b) DBFM – where QLDC contracts with a supplier who is responsible for the financing, construction and maintenance of the building over a defined term. QLDC would agree to lease office space from the supplier during this term.
- c) Joint Venture (JV) with Ngāi Tahu – where QLDC and Ngāi Tahu forms a JV, which purchases the site (assuming Ngāi Tahu waive their RFR) and develops the site for Project Connect and in line with its reserve land status.

Key considerations in comparing these options include their different cash flow profiles, varying value of risks that can be transferred to the private sector and the relative complexity, time and cost of procurement through each option.

Based on the assessment set out in the paper, the recommended procurement approach is **Design-Build**. The key reasons are:

- Design-Build enables a simple and fast procurement which helps to meet the timelines for completing the project and achieving the investment objectives, and is well understood by the market.
- Design-Build provides the greatest flexibility for QLDC to pursue alternative uses for the site and alternative commercial approaches in the future, including a potential JV.
- DBFM offers less value for money where the project offers limited opportunity for whole of life cost efficiencies and risk transfer to offset the higher cost of private capital. It is also a more complex and time consuming process given that substantially all aspects of the development and long term service arrangements must be agreed up-front.

- The JV offers limited commercial development upside without the removal of the reserve land status on the Ballarat Street site, which, while possible, will be time consuming and involved process and it is likely to be more complex to set up given the transfer of land to joint ownership. Without further information, it is not clear what benefits a JV arrangement could bring that would not also be available in the future once the Design-Build is completed.

Next steps in refining the preferred option

The following aspects of the preferred option should be confirmed during the implementation planning process once further information is available, particularly in relation to the Project Connect functional and service requirements, concept designs and potential synergies with the Town Centre Parking project:

- Design-and-Build or Design-then-Build:** the choice of separate or combined procurement may depend on the certainty and simplicity of requirements for Project Connect. Market sounding participants have expressed interest in a combined procurement which could reduce the interface risks between design and construction for QLDC. However QLDC may prefer a more hands on management and ongoing input through the development if the requirements are more complex or require iteration or staged approvals.
- Bundled procurement with the Town Centre Parking project:** as one of the car parking buildings proposed by the Town Centre Parking project is co-located with Project Connect, bundled procurement through a single contractor may benefit from cost synergies and improved project coordination. Key considerations include whether the combined requirements are of the scale and complexity where they can attract competing bids, and the project timelines can be synchronised and requirements defined so suppliers can make a fixed priced offer.

3 Key requirements and constraints

This section covers the key requirements and constraints for Project Connect to be procured.

3.1 Service requirements

Currently QLDC employs 210 FTEs who are based in four buildings in the town centre, of which two are community-owned, the others are leased. QLDC wishes to consolidate the accommodation for all its Queenstown-based staff in a single building, with a provision for growth for up to 330 FTEs by 2030.

Project Connect will deliver a civic and community heart for Queenstown, by bringing QLDC’s staff together in one building. The IBC set out the following service priorities.

Service priorities

Priorities	Description
Budget	Capital costs not to exceed \$42m, including all construction costs, fees and commissioning costs; and 10-year operating costs not to exceed \$23.6m.
Quality	The building should contribute in a positive way to the character, quality and vision of Queenstown and fit with the Community Heart project aspirations. The quality of the build should provide necessary functionality and flexibility for at least 20 years.
Time	Target move in date of mid-2021.

Other key features and requirements for the building are expected to include:

- Compliance with all current codes and standards.
- 4,150m² gross floor area.
- IL4 specification.
- Space and fit out initially for 250 council staff, and mayor and councillors offices, with option to grow to accommodate up to 330 council staff.
- Public reception and arrival area, toilets.
- Council chambers with sufficient room for council meetings including public attendees.
- Service and storage areas consistent with commercial office buildings.
- 83 car parks; required under the district plan (on-site, or as adjacent parking building).
- Temporary new location for the Queenstown Library, potentially using the space anticipated for growth (using approximately 640m² of the proposed 4,150 m² gross floor area).
- Potential to incorporate civil emergency operations centre, gallery or display facilities, café or other complementary activities.

3.2 Key constraints

3.2.1 Site selection

The economic case of the IBC identified 53-57 Ballarat St as the preferred site based on a detailed assessment of the investment objectives, likely benefits, costs and risks. This report focuses on the commercial options that are viable for the preferred site.

3.2.2 Legal

QLDC has sought legal advice on the use of the Ballarat Street site for Project Connect. The Ballarat Street site is classified as a local purpose reserve for a community centre and car parking. The key legal issues related to the site include:

- QLDC must hold and administer the site for its stated local purpose. The purpose (“community centre”) could be amended, through public consultation, to more clearly align with the intended use as council office accommodation.
- A Right of First Refusal (RFR) is held by Ngāi Tahu under the Ngāi Tahu Claims Settlement Act 1998.
- Therefore if QLDC were to lease the land to a private developer, it would need to do so within the constraints of:
 - The Public Bodies Leasing Act (PBLA), which allows the Council to lease the land for any purpose consistent with the Reserves Act, although QLDC requires further legal advice regarding how to structure a lease arrangement to fit within the PBLA’s provisions; or
 - The Reserves Act, which would allow the Council to lease the land to be used for a “community building”.
 - Up to 50 year leasehold term which is effectively imposed by the RFR noted above.
- It may be feasible to remove the restriction related to the site’s local purpose by swapping its reserve status with another site; this would need to follow due process and requires ministerial approval.
- The sale of the land is not realistic unless Ngāi Tahu agrees to waive its RFR.

3.2.3 Commercial

The draft 2018-2028 LTP includes \$42.3m investment over FY19-FY21 for Project Connect.

QLDC is required to meet three ratios to comply with the policies of the Local Government Funding Agency (LGFA):

- Net debt/total revenue of less than 250%;
- Net interest/total revenue of less than 20%;
- Net interest/annual rates income of less than 30%;

Further, QLDC needs to maintain certain debt covenants consistent with its AA- rating from Fitch and has an internal policy that annual rates income/total revenue be less than 55%.

We understand that QLDC is currently within its borrowing headroom and this project *alone* is unlikely to be constrained by its debt capacity.

Based on previous accounting advice received by QLDC, the accounting treatment of the commercial structure for Project Connect is expected to follow its substance rather than legal form. For example, a long-term payment obligation would be recognised as a liability on QLDC’s balance sheet. In practice, while we have not undertaken a detailed accounting analysis we could expect that all the commercial options considered in this paper would likely to impact QLDC’s net debt position e.g. increase its liabilities or reduce its cash reserves.

4 Market analysis

This section provides a brief summary of typical commercial structures that operate in New Zealand for commercial offices, and more specifically, council accommodation. It also outlines some of the key market players and their perspectives based on the market sounding exercise.

4.1 Commercial structures in practice

New Zealand councils use both owned and leased accommodation. Council requirements tend to fit within the office real estate category, with some specialised need for extended space for public reception and council chambers.

For office leases, commercial arrangements are typically based on standard agreements and individually negotiated provisions, e.g. relating to the rent, term, pass through costs, rent reviews, guarantees and assignment of obligations.

For new developments, councils may adopt a traditional build and own approach, or consider alternative structures involving private sector partnerships, for example where the council offers land and a lease commitment, and a private developer commissions the design, build, financing and maintenance, and owns the newly built property. The property ownership may transfer to the council at the end of the lease under a build, own, operate and transfer (BOOT) arrangement, albeit this is relatively rare if the office space has alternative uses. Historically, we have also seen build, sale and lease back arrangements for office accommodation to alleviate balance sheet pressures, however these are now uncommon. This paper includes a long list of commercial structures and their application to this situation.

The following sections set out two case studies of alternative structures.

4.1.1 Case study: NSW government

The New South Wales government offered 3.2ha vacant land in North Sydney without planning approval but with a lease pre-commitment and achieved a \$170m sale to a commercial developer in 2017¹. Previously the same land attracted offers at \$40m-50m without lease commitment. This enabled an accelerated transformation of a large vacant site into a commercial office precinct.

The benefits of land and lease packages can benefit government by securing modern, functional accommodation to enhance its capability and performance. It helps negotiate competitive lease terms and to add value and release capital from surplus land. It can also catalyse the development of underperforming precincts and promote local economic development.

4.1.2 Case study: Tauranga City Council

Tauranga City Council (TCC) initiated the Heart of the City programme to revitalise the city centre. The aim of the programme was to work with the private sector to explore innovative commercial and urban development solutions. The immediate focus is the development of a Civic Administration Building, open civic space and a CBD Hotel and Conference Centre on adjoining TCC land. The council is reportedly investing \$23.2m in capital costs (for fit out), plus an ongoing lease cost of \$2.5m per annum in real terms for the Civic Administration Building².

In December 2017, TCC announced that it has chosen Willis Bond & Co. as its preferred development partner, subject to contract negotiations.

4.2 Market players

4.2.1 Property developers and owners

There are about a dozen national property developers, and a similar number of regional players, that have the capability to undertake \$30m-\$50m projects required by QLDC, subject to an attractive commercial structure. The larger developers tend to own property (including commercial/office space and car parks) and some have related construction and investment capital arms, e.g. Precinct Properties and LT McGuinness / Willis Bond & Co.

¹ Source: <https://www.finance.nsw.gov.au/about-us/media-releases/new-macquarie-park-commercial-precinct-step-closer>

² Source: <http://www.tauranga.govt.nz/our-future/projects/heart-of-the-city/civic-administration-building>

Subject to QLDC's objectives and risk preferences, it will be key to develop a commercial structure which opens the field for competitive procurement, e.g. by providing access to land and/or committing to long lease contracts. A key constraint on the involvement of property developers in Project Connect (based on market sounding feedback) is the status of the preferred site which limits the use of land to a community building, the term of a leasehold to 50 years or a sale of the site to any party other than the holder of the RFR.

4.2.2 Construction contractors

The New Zealand construction market has limited depth, particularly contractors with sufficient resources and balance sheet strength to complete large scale projects. The majority of domestic contractors, particularly in the residential building segment, focus on the small end of the market.

Attracting international firms into the New Zealand market requires a minimum project scale (anecdotal evidence suggests about \$300 million) and/or reasonable evidence of a pipeline of associated projects. Therefore QLDC's projects will mainly attract domestic builders specialising in commercial or light industrial construction.

4.2.3 Investment capital

There are two main and distinct pools of investment equity capital that could be available to finance the proposed developments if it is required by the commercial structure, referred to as infrastructure finance and property development capital. The distinction between these from a structural perspective is outlined below:

Infrastructure finance

These are sources of capital with a mandate to invest in New Zealand infrastructure projects including DBFM, PPP and BOOT projects, including dedicated infrastructure investment vehicles (e.g. funds managed by HRL Morrison & Co) as well as quasi-crown funds (such as the ACC and New Zealand Super Fund). Infrastructure equity tends to focus on long term, stable cash-flow projects. They will seek investments with a lower return/risk profile and are less likely to value the capital growth that is the target of property based investors. However we have seen interest and investment from infrastructure funds in commercial property with captive tenants / long term lease commitments.

Property development capital

Property development capital tend to seek higher risk, higher return investments than infrastructure investors albeit specifically targeted at property developments. They tend to have more risk appetite for capital growth and more rapid recycling of capital rather than a long term investment horizon. They tend to use debt secured by mortgage on the underlying property and seek development on freehold land or 100+ year leasehold.

Other capital

There are other, less well defined pockets of investment capital for property/infrastructure projects including iwi, not-for-profit organisations and other niche private investors.

4.2.4 Senior debt

Our experience suggests that availability of senior debt, is less likely to be a constraint on QLDC's projects, depending on the commercial structure. However, recent procurement processes indicate a distinction, in terms of the internal treatment of loans by banks and the terms that can be achieved, between property-based lending, and more highly structured cash-flow lending.

Developing and communicating a commercial structure that it is familiar to financiers and fits with their preferred risk positions should facilitate the availability and better terms for senior debt financing.

5 Commercial considerations

This section focuses on the key commercial objectives and considerations that will underpin a successful procurement approach.

5.1 Commercial principles

We have sought to align the procurement evaluation criteria with the broader investment objectives and critical success factors of Project Connect. This is set out in the table below.

Summary of critical success factors and commercial principles

Critical success factor	Commercial principle	Assessment criteria
Strategic fit and business needs	— Complete new office accommodation by mid-2021.	A. Aligns with the Project Connect investment objectives (per the IBC), including timing.
	— QLDC has cost certainty consistent with its preferences.	B. Transfers risks from QLDC where appropriate.
	— Ensure sufficient flexibility to respond to changing Council requirements, eg based on resource needs and workplace strategies.	C. Flexible to changing requirements and potential alternative uses of the site.
Potential value for money	— Achieve whole of life cost efficiencies and optimises QLDC’s resources.	D. Enables lower whole of life costs.
	— Leverage external development capital if it brings innovation benefits and/or takes on risks from QLDC.	E. Encourages innovation and better design solutions.
	— Encourage supplier innovation and efficiency.	F. Facilitates competitive procurement.
Supplier capacity and capability	— Leverages external market expertise where suppliers can add delivery capacity, capability (and provide value for money).	G. Attractive to suppliers given the scale, risks and rewards of the project
Potential affordability	— Maximise QLDC’s overall capacity to fund capital projects.	H. Maximise QLDC’s overall funding capacity.
Potential achievability	— Consistent with QLDC’s legal constraints on the use of land.	I. Achievable within legal and regulatory constraints.
	— Ensure that QLDC has sufficient capability for successful delivery.	J. Achievable given QLDC’s resources and experience.

5.2 Assessment criteria

The following table describes each of the investment criteria outlined above used to assess the procurement options.

Assessment criteria

Assessment criteria	Description
A Aligns with the investment objectives, including timing	Enables the completion of Project Connect by mid-2021 and associated investment objectives, and align with the wider timetable proposed in the masterplan

Assessment criteria		Description
B	Transfers risks from QLDC where appropriate	<p>Allocates risks to parties that are well placed to manage them efficiently, in particular:</p> <ul style="list-style-type: none"> — QLDC will prioritise transferring construction cost and timetable risks. — Additionally QLDC is prepared to transfer any other risk where it can demonstrate value for money for rate payers, and can still fulfil its statutory responsibilities (e.g. those related to reserve land).
C	Flexible to changing requirements and potential alternative uses of the site	Provides flexibility for the Council to adapt its requirements, such as office capacity and configuration and alternative uses for the site in the medium-term, without undue cost / penalties.
D	Enables lower whole of life costs	Helps to lower the whole-of-life cost for QLDC (adjusted for the risks retained by QLDC) e.g. through scale efficiencies, incentives and flexibility for supplier innovation, and the integration of design, construction and ongoing operation or maintenance.
E	Encourages innovation and better design solutions	Provides flexibility and incentives for innovation, e.g. attractive community features and opportunities for public engagement, more efficient / flexible working and environmental sustainability.
F	Facilitates competitive procurement	Optimises supplier interest, competitive tension and transparency of costs, benefits and risks through the procurement process.
G	Attractive to suppliers given the scale, risks and rewards of the project	<p>Attractive to suppliers, e.g.:</p> <ul style="list-style-type: none"> — Offers sufficient scale to justify upfront bid and ongoing administrative costs — Simple and familiar to suppliers — Fits with the risk preferences of suppliers — Bankable
H	Maximise QLDC's overall funding capacity	Maximise QLDC's overall capacity to fund capital projects, for example by utilising private finance where it is cost effective to do so on a risk adjusted basis.
I	Achievable within legal and regulatory constraints	In line with legal and regulatory constraints, or compliance can be achieved with reasonable likelihood, time and effort.
J	Achievable given QLDC's resources and experience	QLDC has access to in-house or external capability to deliver the projects under the chosen procurement option.

6 Procurement options

This section outlines a long-list of options, further explores a short-list and identifies a preferred procurement approach.

6.1 Overview of procurement options

A long list of seven procurement options were identified based on precedents for council and commercial offices and wider infrastructure projects. The options range from traditional council-led and financed approaches to alternative structures with greater use of private capital and risk transfer to the private sector. In summary, they are:

- 1 Design-Build + Hold
- 2 Design-Build + Sale and Leaseback
- 3 Develop and Lease
- 4 JV Develop and Lease
- 5 Design, Build, Maintain (DBM)
- 6 Design, Build, Finance, Maintain (DBFM) / Build-Operate-Own-Transfer (BOOT)

Based on the IBC, we have assumed that a suitable commercial office lease at a single CBD site is unavailable, therefore it is not listed as an option.

All the above options assume that the project will be on the preferred site identified in the IBC. This list excludes options that would involve the sale of land, or long term (>50 years) lease options based on the legal advice received by QLDC (per section 2.2.1).

The following table sets out an overview of the allocation of risk and responsibilities for each procurement option. Overall, each type of risk should be allocated to the party that is best able to manage it. In cases where risks are transferred to the private sector that cannot be controlled or unknown at the time of contracting, the private sector is likely to add a substantial risk premium in their pricing which will increase costs and reduce value for money for QLDC.

For Project Connect, the key risk dimensions are:

- Construction cost risk: e.g. overruns incurred due to delay, design issues, rework required, unexpected site conditions – allocated to the party that is responsible for design and construction.
- Land and asset ownership: related to the costs and responsibilities of the respective owners, the change in the market value of the underlying asset and the alternative use of the asset outside the term of any contract agreed by the QLDC (albeit limited in this case due to the restrictions on the site).
- Maintenance: related to the cost of carrying out these activities including any penalties for under-performance.
- Financing: related to the availability, cost and other terms of finance and refinancing.

The following table illustrates the responsibilities and associated risks that are taken on by QLDC and the private sector under each option.

Summary of responsibilities and associated risk allocations

Option	Land ownership	Asset ownership	Financing	Design and build	Building maintenance
1 Design-Build + Hold	QLDC			PRIVATE SECTOR PARTNER	
2 Design-Build + Sale and Leaseback		Following sale			

Option	Land ownership	Asset ownership	Financing	Design and build	Building maintenance
3 Develop and Lease					
4 JV Develop and Lease		JV (QLDC+PRIVATE SECTOR PARTNER)			
5 DBM					
6a DBFM					
6b BOOT		For the contract term			

Note: The Green shaded areas represent the responsibilities of QLDC's main contractor; The Blue shaded areas represent responsibilities of QLDC or its minor contractors. The Grey shaded areas are shared activities/risks.

6.2 Market sounding feedback

In order to gather market feedback about the overall interest in the project and the procurement approach, QLDC issued a publically available Information Memorandum (IM) on the government tendering system (GETS) on 8 May 2017. The IM sought specific comments on the Design-Build and DBFM approaches, and invited suggestions on alternative commercial structures that market participants considered feasible. The market sounding covered broadly the same topics for Project Connect and the Town Centre Parking project, which proposes to develop two car parking buildings and one of the buildings is planned to be collocated with Project Connect on the Ballarat Street site.

The key questions explored by this market sounding exercise were:

- What is the level of interest from different groups of market players in the projects?
- What is the impact of transaction size on interest to participate and the optimal procurement approach?
- Is the preferred site considered suitable for the project and what is the impact of considerations related to the use of land?
- What procurement options and risk allocations are commercially viable?
- Is there value in bundling the procurement of Project Connect with the procurement of the Town Centre Parking project?
- Are the indicative timelines for procurement and project delivery feasible?

A summary of market feedback to the above questions is as follows.

a) **Market interest is relatively strong considering the stage and scale of the opportunity**

18 market participants expressed interest, including construction contractors, parking operators and equity investors. Traditional property developers were not interested, only those who also had experience with DBFM structures. Informal feedback suggested that the reserve land status and usage restrictions on the site deterred traditional property developers. The parking operators were only interested in the parking projects, the others were interested in both the parking projects and Project Connect.

b) **The project size appears sufficient to attract private financing and construction firms**

Feedback from equity providers suggests that the scale of the project, even when unbundled, would be of interest if the risks and project documentation were simple and manageable. There was general preference towards a larger transaction size, except by smaller local builders who preferred unbundling or sequencing the procurement.

c) The site is regarded suitable for the project

No respondent objected to the preferred site for Project Connect. The limitations of use were also considered manageable under Design-Build or DBFM. Those respondents who had traditional property development experience indicated that a long leasehold or freehold would provide more options for developing the site, however noted that the site restrictions meant that was unavailable here.

d) Design-Build and DBFM are both considered viable by respondents; Ngāi Tahu prefers a JV to develop the Ballarat Street site; No other commercial option was suggested by market sounding respondents.

Equity providers were only interested in DBFM. Construction firms all supported the Design-Build option and some also supported the DBFM. For DBFM the ideal lease term was identified of 25-40 years.

Ngāi Tahu proposed a JV with QLDC to develop the Ballarat Street site (as part of a precinct wide development incorporating a larger land parcel than that envisaged for this project). Ngāi Tahu’s response stated their involvement through this approach, given their RFR, would optimise the development potential of the site to create a community and civic heart for Queenstown. There were little commercial details provided with regards to how the JV would be structured. No other party proposed a JV, potentially as a result of the site constraints noted above.

No further commercial options, other than Design-Build, DBFM and JV, were suggested by market sounding respondents.

e) Bundling can increase efficiency throughout the project lifecycle

Some respondents pointed to efficiencies from bundling the procurement and implementation of the two car parks, and potentially Project Connect, e.g. through joined-up design, improved construction supply chain, project management, scheduling and contract administration. Some of the smaller construction firms preferred a staged approach to minimise the risk of resource constraints. Refer the Bundling section below for implications on procurement.

f) Key timeline risks include approvals and planning

The responses generally supported the indicative procurement timelines. However they varied on the feasibility of overall project completion dates. Delays in planning, council approvals, consenting were cited as key risks.

6.3 Options assessment

A brief description of each option and high-level pros and cons, which incorporate the market sounding feedback, are set out in the table below. Further background on each option including key features, parties involved, and financial profile, is available in Appendix A.

Option long list: overview of pros and cons

Option	Short-listed	Advantages	Key uncertainty / disadvantage
1 Design-Build + Hold	✓	A simple, well-established approach that gives QLDC full control over the design and flexibility over future requirements.	QLDC must finance the construction. No alternative use for the property given its reserve designation – could not be sold in the future. Potentially challenging to demonstrate value for money vs single commercial office rental (if one was available).
2 Design-Build + Sale and Leaseback	X	Lower ongoing financing burden.	Uncertain / unlikely private sector interest given reserve land use

Option	Short-listed	Advantages	Key uncertainty / disadvantage
			restrictions and short (<50 year) leasehold. Commitment needed for long office lease - less control over future requirements.
3 Develop and Lease	X	A private sector partner would finance the development and take construction, property ownership and maintenance risks.	Uncertain / unlikely private sector interest, and ability to finance, given reserve land use restrictions and short (<50 year) leasehold
4 JV Develop and Lease	✓ (only feasible with Ngāi Tahu)	As Option 3, but QLDC has less control of design and future development. It also shares operating returns and risks. The partners may share/complement each other's capacity and capability within the JV	As option 3; Ngāi Tahu as JV partner may agree to wave their RFR to allow the transfer or lease of the land to the JV, however the reserve land use restrictions would remain. QLDC would share substantially all risks and costs with the JV partner.
5 DBM	X	Intended to reduce whole-of-life costs by aligning the solutions for building design and maintenance.	This option would be unfamiliar to the market and has limited precedent in NZ. Would require council committing to a long office lease.
6 DBFM/BOOT	✓ (more attractive to the market if bundled with Parking)	As Option 5, with the benefit of reducing QLDC's upfront funding requirement	This is a more complex arrangement to procure and manage, and the associated cost may be disproportionate to the scale of project (for offices only). However it would avoid some of the private sector concerns regarding use of the site in options 2-4. Would require council committing to a long office lease.

Based on the qualitative assessment above and the feedback from the market sounding, the short list of options for further evaluation is:

1. Design-Build
2. DBFM
3. JV with Ngāi Tahu

Key considerations in short-listing these options and the exclusion of others included:

- Overall support from market sounding for the commercial viability of the Design-Build and DBFM options, and other advantages related to their potential value for money, affordability and achievability.
- Interest from Ngāi Tahu in a JV option with associated sharing of risks and costs (this is only considered in relation to Ngāi Tahu as the holder of the RFR and no interest forthcoming from other market participants).
- The exclusion of developer-led options requiring the sale or long-term lease of the land to the developer given the limitations for the preferred site.
- The relatively low synergy and associated benefits of packaging upfront design, construction and facilities management.

- Choice between DBFM and BOOT is driven by practical deal considerations (e.g. tax structuring) which is negotiated during procurement according to market feedback – DBFM is carried forward for the purpose of this assessment.
- No other commercial options or interest with regards to other structures were forthcoming in the market sounding process.

While Ngāi Tahu have not provided details of a potential JV arrangement, based on their market sounding feedback, in the assessment below it is assumed that the JV is established with shared ownership by QLDC and Ngāi Tahu, and it is managed by Ngāi Tahu for some form of management fee. The JV purchases the Ballarat Street site (with Ngāi Tahu waiving its RFR) and develops the council offices for Project Connect, and potentially also a parking building, through a design-build approach. The design-build contracts could be competitively tendered by the JV.

The assessment of the short-listed options assumes that the reserve land status of the Ballarat Street site remains in place. The removal of reserve land status³ has precedent but is considered time consuming and costly process with uncertain outcome. If successful, it may provide alternative uses for the Ballarat Street site, but does not advance the investment objectives agreed for this project.

6.4 The preferred procurement approach

Based on the assessment criteria set out earlier, the preferred procurement approach is **Design-Build**. For ease of terminology, this document uses the term Design-Build to include both a 'Design-and-Build' where a single contractor undertakes the design and construction as well as a 'Design-then-Build' where QLDC separately procure the design from the construction of the buildings. Further work is required to determine which of these is preferred as outlined in a subsequent section.

In summary, the key reasons for the preference for Design-Build are:

- Design-Build enables a simple and fast procurement which helps to meet the timelines for completing the project and achieving the investment objectives, and is well understood by the market.
- Design-Build provides the greatest flexibility for QLDC to pursue alternative uses for the site and alternative commercial approaches in the future, including a potential JV.
- DBFM offers less value for money where the project provides limited opportunity for whole of life cost efficiencies and risk transfer to offset the higher cost of private capital. While a quantitative risk analysis was not part of this assessment, the scope for risk transfer is considered relatively low, given the green site and simple office space and facilities management consisting the core requirements.
- The JV offers limited commercial development upside without the removal of the reserve land status on the Ballarat Street site, and it is expected to be more time consuming and complex to set up given the transfer of land to joint ownership. Without further information, it is not clear what benefits a JV arrangement could bring that would not also be available in the future once the Design-Build is completed.

The table below summarises the assessment of the short-listed options, followed by a description of the key considerations for each option.

Short-list option assessment

	Assessment Criteria	Design-Build	DBFM	JV (Ngāi Tahu)
A.	Aligns with the investment objectives, including timing	✓✓	? timing	? timing
B.	Transfers risks from QLDC where appropriate	✓	✓	✓

³ The reserve land status can be moved to a different but 'equivalent' site with Ministerial approval

	Assessment Criteria	Design-Build	DBFM	JV (Ngāi Tahu)
C.	Flexible to changing requirements and potential alternative uses of the site	✓✓	X locked into long term contract	✓ depends on JV control arrangements
D.	Enables lower whole of life costs	-	? requires further analysis	? requires further analysis
E.	Encourages innovation and better design solutions	✓	✓	✓
F.	Facilitates competitive procurement	✓✓	✓	X initially sole-sourced
G.	Attractive to suppliers given the scale, risks and rewards of the project	✓✓	✓✓ particularly if bundled with parking	✓ only with Ngāi Tahu
H.	Maximise QLDC's overall funding capacity	-	-	-
I.	Achievable within legal and regulatory constraints	✓	✓	✓
J.	Achievable given QLDC's resources and experience	✓✓	? potentially complex	? potentially complex
Risk adjusted NPV of costs (indicative)		\$42.0m	\$45.6m	NA
OVERALL ASSESSMENT		Preferred	Not preferred	Not preferred

Scoring guide

- ✓✓ Option strongly satisfies the criterion
- ✓ Option partly satisfies the criterion
- Option is neutral or does not apply to the criterion
- ? It is uncertain or risky whether the option will meet the criterion
- X Option is unlikely to meet the criterion

An overview of the key considerations for each option is outlined below. The calculation of the risk adjusted NPVs is described in Appendix 3. Importantly, these figures are indicative as they are based on high level cost estimates and limited design and technical input.

The NPV for the JV option is not provided as it is dependent on assumptions which cannot be reliably estimated, particularly the value of the land transferred to the JV (refer the section on the JV option below).

Option 1: Design-Build

The Design-Build option received favourable feedback in the market sounding. While equity providers are naturally only interested in a DBFM, construction firms expressed interest in the Design-Build model. The key considerations are:

- As the most established approach for comparable projects in the market, it enables a simple, fast and cost effective procurement process to help meet the project timelines and reduce administrative overheads.
- It requires QLDC to fund the up-front costs of the project, however QLDC's cost of capital is expected to be lower than the cost of private capital. In the context of this project, the value of risk transfer to the private sector is expected to be limited.
- It facilitates competitive procurement, albeit with more involvement and effort by QLDC to coordinate the choice of contractors and financiers.

- QLDC retains flexibility to cost effectively repurpose the site based on future community requirements without negotiating variations a long-term DBFM or with a JV partner.
- QLDC is also free to enter into a JV in the future to further develop the site (e.g. if it is appropriate to remove the remaining land use restrictions).

Option 2: DBFM

The DBFM option also received favourable supplier interest in market sounding. Nevertheless, with the higher cost of private capital, this option requires the private sector to offer more efficient design and operational solutions to lower the whole of life costs, and to take over responsibility for project risks from the public sector. The key considerations are:

- The relatively simple design, construction and facilities management reduces the opportunity for innovation and whole of life cost savings.
- Limited synergies, and associated benefit, of packaging up-front design, construction and facilities management.
- The uncertainty of long-term requirements for office space and other community facilities do not favour the use of long-term contract where implementing unexpected variations can be costly.
- More complex contracting and documentation used in DBFM which is less likely to meet project timelines. While market sounding participants highlighted their desire to work with QLDC on simplified contracting, it has limited working precedent in New Zealand.
- To be feasible, DBFM requires some scale and therefore would have to be bundled with the Town Centre Parking projects. This requires alignment in terms of timing and process with these projects but also a contractual structure that encompasses two different types of assets further complicating commercial arrangements

Option 3: JV with Ngāi Tahu

The JV option is specific to a partnership with Ngāi Tahu as it requires the transfer of land (or long leasehold) to the JV which needs Ngāi Tahu's agreement. The key considerations are:

- The JV enables QLDC to share the risks, costs and returns of the project with Ngāi Tahu, and it lowers the upfront financing requirements for QLDC.
- Through the JV, Ngāi Tahu and QLDC could jointly provide (based on their respective capability) the required management skills and resources to successfully deliver the project.
- However a JV arrangement, does not unlock any further commercial opportunities on the Ballarat Street site given its reserve land status. The JV would need to develop the site in line with its local purpose, or remove that status, which is relatively onerous.
- Legal advice to QLDC states that entering a JV would involve procurement which should be subject to a competitive process. Without a competitive process, a JV partnership would be subject to a high risk of challenge from excluded parties.
- The value of the land transferred to the JV is challenging to establish given its reserve land status and associated land use limitations. QLDC would need to demonstrate that the land was transferred at fair value without being able to run a competitive sale process or use comparable market benchmarks for similar transactions involving reserve land.
- An incorporated JV could be a Council Controlled Organisation (depending on how it is structured) which carries additional regulatory and administrative requirements.
- Ngāi Tahu has indicated that they see the project as part of a wider precinct-based development incorporating land outside of the site needed for Project Connect (and the Town Centre Parking project). This may result in additional time and complexity for planning, consenting, procurement and construction.

- The option limits competitive selection of the JV partner (although the major elements of the project could be competitively procured in a similar manner to the way that the Design-Build option would be procured).

6.5 Next steps: refinement of the preferred option

The following aspects of the preferred option should be confirmed during the implementation planning process once further information is available, particularly in relation to requirements, design and synergies with the Town Centre Parking project:

- c) Design-and-Build or Design-then-Build
- d) Bundling the procurement

Design-and-Build or Design-then-Build

The market sounding process highlighted suppliers' interest in a design and build approach to contracting the buildings. However QLDC may choose to separately procure detailed design services from construction where;

- It is possible that the best design expertise may not necessarily be part of the same firm / consortium as the best construction expertise;
- Where the market supplier market is small and there are few firms capable of delivering both design and construct services. The market sounding did not indicate this was the case, however any impact would be exacerbated at scale if the procurement for the Town Centre Parking project is bundled and with Project Connect (see below).
- Where QLDC prefer to retain more responsibility and have more input into design (e.g. to refine requirements and design iteratively).

Bundling

The market sounding process highlighted suppliers' interest in the bundled procurement for the design and construction of Project Connect with planned parking buildings in a single process.

Bundling options include:

- A single procurement for Project Connect and both parking buildings
- A combined procurement for the Ballarat Street parking building and Project Connect (on the same site), with a separate procurement for the Boundary Street parking building
- A combined procurement for the parking buildings, with a separate procurement for Project Connect

The market sounding demonstrated market interest and capacity to deliver the projects together. While smaller builders may not take on all components of a bundled project they can participate as sub-contractors.

To realise the potential benefits of bundling, such cost synergies and design and project coordination benefits, the projects must be undertaken in close geographical proximity and at a similar time.

The two parking buildings are in close proximity and one is co-located with Project Connect, which allows the easy movement of construction crews between the sites and their living accommodation to be located nearby. Bundling the procurement and construction of the Ballarat Street car park with Project Connect on the same has the added benefits of coordinated site access and clearer accountabilities for site related risks by a single contractor.

A key condition to realising the benefits of bundling is that contractors must still be able to agree a fixed price bundled contract with any timing difference between the planned completions of the council offices and the car parks.

The decision to bundle should be made at the implementation stage once the requirements, timeframes and concept designs of both projects are confirmed, with a preference, where possible, to bundle projects together.

Appendix A Long list of procurement options

This section outlines six procurement options for Project Connect.

- 1 Design-Build + Hold
- 2 Design-Build + Sale and Lease back
- 3 Develop and Lease
- 4 JV Develop and Lease
- 5 DBM
- 6 DBFM/BOOT

1. Design-Build + Hold

Under this form of procurement, a contractor (e.g. a construction company) is appointed to design and construct the Council office building, the terms of which are likely to be both price and quality based (“Design and Build”). Alternatively, QLDC could separately appoint a design contractor to develop the design specification and documentation, followed by a separate tender process for a construction contractor (“Design then Build”). These are traditional standard procurement options.

QLDC owns and uses the building for Council business and potentially other community purpose. The ongoing maintenance of the building would be procured through a separate contract.

Design and Build

Under this approach, tenders are likely to be heavily price focused. The risk that construction meets the specification requirements, construction timeliness and cost is retained by the contractor. The risk associated that the asset meets its requirements, including design specifications, is retained by QLDC.

Key commercial considerations include:

- The design and construction interface risk retained by QLDC is reduced as this would be managed by a single contractor. This contract creates a single point of accountability for design and construction with the contract. As such, this may result in a price premium relative to a Build only contract.
- Under this QLDC has less extent control over the design process. It requires a clear output specification. The specification should allow innovation in design whilst meeting key criteria (e.g. scope, quality, functionality, performance).
- The design price may be higher to reflect the premium attached to the contractor’s retained risk.
- There is relatively little incentive for innovation and limited room for bundling services and creating whole of life efficiencies.

Design then Build

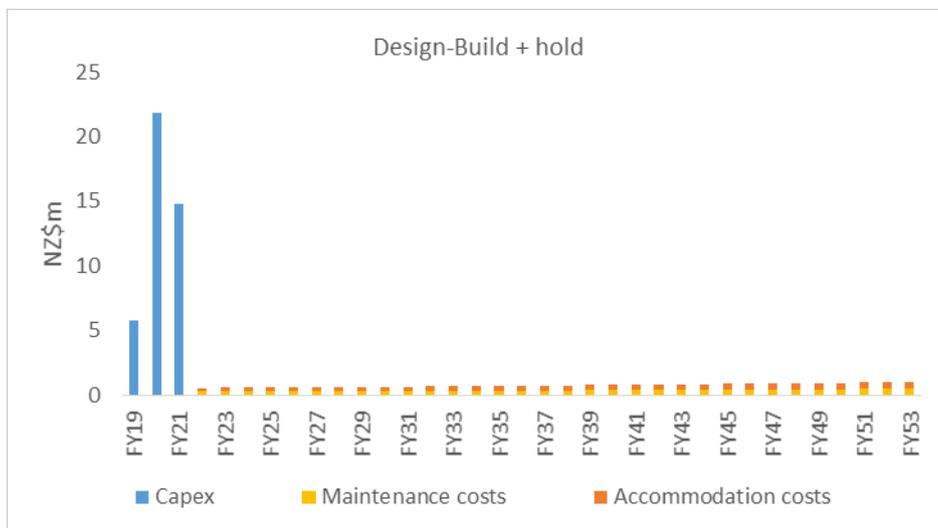
The contractor retains the risk that construction meets the specification requirements. The risk of a completed design, construction timeliness and cost is also retained by the contractor.

- Standard industry contracts can be used, however interface risk between design and build contracts is retained by QLDC.
- Payment for the design and construction contractors is typically on a lump sum basis, subject to the fulfilment of agreed milestones. The fixed price generally associated with this type of contract is subject to adjustments under specific conditions (e.g. adverse physical conditions and other specified events or design changes)
- The approach works well where there is a high degree of certainty about project requirements and the outcome is predictable. The design certainty means there is scope for more competitive pricing. The approach may promote competition for the construction contractor as the design is finalised in advance and is only responsible for delivering in accordance with the design requirements.

- The approach is also well-known and understood by the contractor market
- There is relatively little incentive for innovation and limited room for bundling services and creating whole of life efficiencies

Considerations	Design-Build + Hold
Project size/market capacity	All sizes
Office building ownership	QLDC
Ongoing maintenance	Council in-house or separate third-party contract
Financing	QLDC, with debt pay down following sale
Speed of delivery	Any timescale
Level of risk transfer	Low
Scope for innovation	Low

Indicative financial profile



Operating cash flows	Undiscounted FY19-53 total	Assumptions / notes
Capex	(\$42.3m)	Design, construction, fit out and move in costs, incurred in FY19-21 (per draft LTP)
Maintenance costs	(\$11.4m)	Building and ground maintenance and property management costs (per the draft LTP, inflated by 2% pa)
Accommodation costs	(\$12.7m)	Utilities, rates, cleaning, security (per the draft LTP, inflated by 2% pa)

Note: intended for illustration only and not suitable for comparing options due to different risk profiles; excludes financing items;

2. Design-Build + Sale and Leaseback

Under this form of procurement, QLDC enters into a Design-Build with a contractor. Following completion the Council sells the office buildings to a private sector partner, who leases the offices back to QLDC on pre-agreed terms. The land would be retained by QLDC and the purchaser pays QLDC a ground rental as a one-off payment to pay down any borrowing raised for construction or offset some of the ongoing office lease payments of the Council.

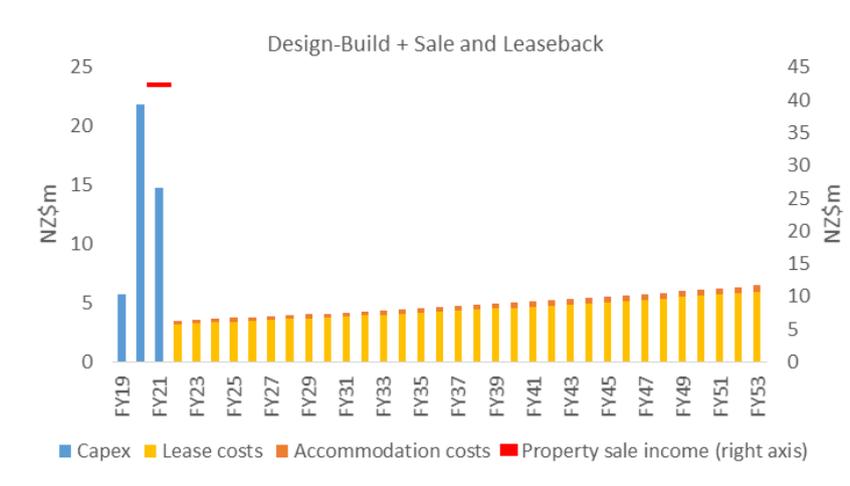
Key commercial features

- The risk profile and commercial features of the design and construction phases similar Design-Build

- A sale and leaseback would release cash from the development and enable QLDC to pay down the debt incurred during construction.
- Given the restrictions of reserve land it is uncertain/unlikely that there would be significant interest from the private sector in the purchase of the building. This option would also require a significant lease commitment from the Council.

Considerations	Design-Build + Sale and Leaseback
Project size/market capacity	Any sizes
Office building ownership	QLDC, followed by sale to a third party upon completion
Ongoing maintenance	Third party owner
Financing	QLDC
Speed of delivery	As per Design-Build
Level of risk transfer	Low
Scope for innovation	Low

Indicative financial profile



Operating cash flows	Undiscounted FY19-53 total	Assumptions / notes
Capex	(\$42.3m)	Per option 1
Property sale income	\$42.3m	Equals capex

Operating cash flows	Undiscounted FY19-53 total	Assumptions / notes
Lease costs	(\$152.0m)	Annual lease payments based on maintenance costs (per option 1) plus financing costs for the purchase (7.9% real pre-tax WACC), inflated by 2%
Accommodation costs	(\$12.7m)	Per option 1

Note: intended for illustration only and not suitable for comparing options due to different risk profiles; excludes financing items;

3. Develop and Lease

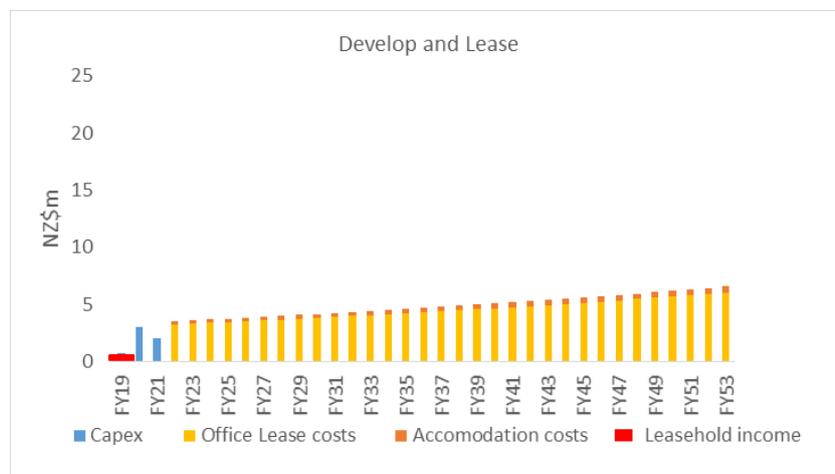
Under this procurement approach, the QLDC seeks proposals from private developers to finance, build, own and maintain the QLDC office buildings, and offers a pre-committed office lease. Given the restrictions on the disposal of land, the land would be leased by QLDC to the private developer for up to 50 years. Based on the current land designation the building could only be leased to QLDC as offices or for other community purpose (eg library or gallery).

Key commercial features

- QLDC is not required to raise finance, or manage design, construction and operational risks. The private sector partner receives 50-year leasehold on the land to undertake the development.
- Given the restrictions of reserve land it is uncertain/unlikely that there would be significant interest from the private sector in developing on leasehold land with a relatively short term. This option would also require a significant lease commitment from the Council.

Considerations	Develop and Lease
Project size/market capacity	Any sizes
Office building ownership	Private developer
Ongoing maintenance	Private developer
Financing	Private developer
Speed of delivery	Any timescale, subject to private sector interest
Level of risk transfer	High
Scope for innovation	Medium

Indicative financial profile



Operating cash flows	Undiscounted FY19-53 total	Assumptions / notes
Leasehold income	\$0.0m	Estimated value of 50 year leasehold to developer, based on 50 years of cash flows and 10.0% nominal WACC
Capex	(\$6.0m)	Fit out and move-in costs
Office lease costs	(\$154m)	Annual lease payments based on \$775/m ² for 4150m ² GFA (calculated to provide a nominal positive leasehold value), inflated 2% pa
Accommodation costs	(\$12.7m)	Per option 1

Note: intended for illustration only and not suitable for comparing options due to different risk profiles; excludes financing items;

4. JV Develop and Lease

QLDC enters into a Joint Venture with a private developer for the development of the council office buildings. The procurement approach adopted is selected by the JV, and would likely be a Design and Build approach.

In the case of an incorporated JV, the JV (typically a limited company or limited partnership) enters into all contracting arrangements. Typically, the public sector invests land assets into the JV which are 'value matched' by private developer equity. The JV raises finance secured on the property (or the cash flows it generates) for the development. The JV partners share the profits of the project based on agreed proportions.

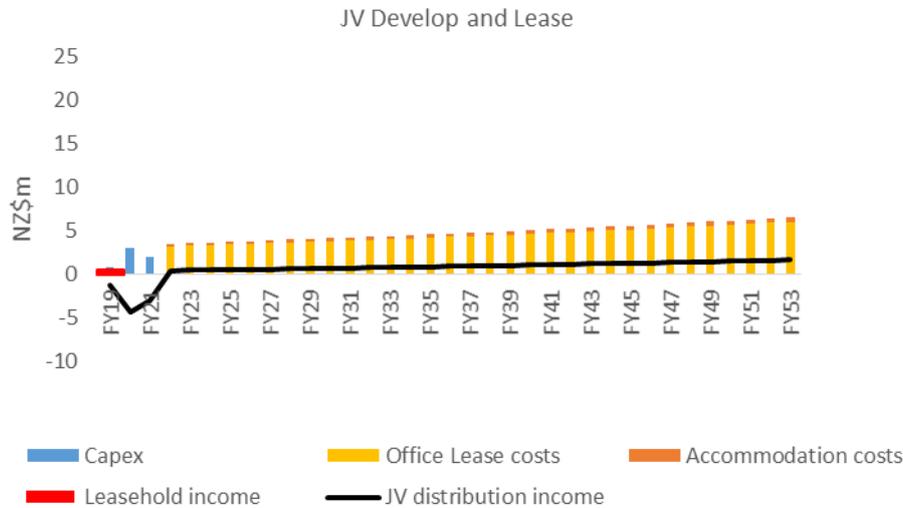
In the case of an unincorporated JV, there is no formal corporate structure or separate JV entity. The JV is managed through contracts between the parties.

Key commercial features

- This procurement option would utilise private finance, reducing the impact on the QLDC's balance sheet
- QLDC and private sector partner share risks and responsibilities. It may limit QLDC's control over the design, procurement approach and future development of the property.

Considerations	JV Develop and Lease
Project size/market capacity	Any sizes
Office building ownership	JV
Ongoing maintenance	As determined by JV
Speed of delivery	Any timescale, subject to private sector interest
Level of risk transfer	The retained risk of the JV would effectively be shared between QLDC and the JV partner
Scope for innovation	Medium

Indicative financial profile



Operating cash flows	Undiscounted FY19-53 total	Assumptions / notes
Sale income	\$0.0m	Assumed 50% of value per option 3
Capex	(\$6.0m)	Per option 3
Office lease costs	(\$154m)	Per option 3
Accommodation costs	(\$12.7m)	Per option 3
JV distribution income	\$29.1m	Assumed 50% of free cash flows to equity from the JV (includes initial equity contribution and subsequent distributions)

Note: intended for illustration only and not suitable for comparing options due to different risk profiles; excludes financing items;

5. Design-Build-Maintain (DBM)

Under this form of procurement, a contractor is appointed who is responsible for the design, build and maintenance of the office buildings over a defined term. The contractor is likely to be a consortium consisting of a construction contractor and facilities management contractor.

The payments to the contractor are likely to be both milestone based during construction and ongoing annual payments based on meeting performance obligations (eg office availability). QLDC would have the right to access and use the buildings during the contract term.

The DBM tendering process may be longer and more complex due to the need for interaction between the building designer, construction contractor and maintenance provider. In addition there are few New Zealand precedents for DBM contracts. Therefore both the procuring agencies and the contractor market will be less familiar with this approach.

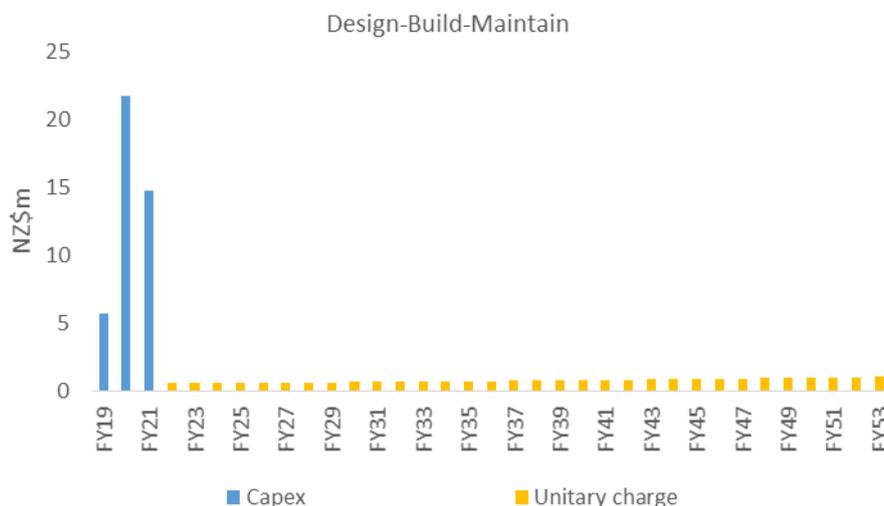
Key commercial features

- With its responsibility for the long-term maintenance and operation of the office building, the contractor is encouraged to consider whole of life approach that is designed to optimise total costs across the contract term. The advantages of a contractor adopting a whole of life approach are more significant for projects where the quality of outcomes from the project is dependent on maintenance, or where upfront design changes could have a material impact on lifetime costs.
- The ownership of the building would be retained by QLDC throughout the contract term.
- The model requires QLDC to finance the initial construction of the office buildings. Maintenance is paid over the contract term according to a pre-agreed schedule, with the contractor responsible for spreading cyclical maintenance costs over the contract term.

— The contractor may have fewer incentives to meet contractual outcomes due to the absence of pressure from financiers, although this could be partly mitigated by financial abatements for underperformance.

Considerations	DBM
Project size/market capacity	All sizes, subject to market capacity
Office building ownership	QLDC
Ongoing maintenance	Private contractor during contract term
Financing	QLDC
Speed of delivery	The procurement approach is untested in New Zealand, but is likely to be longer than traditional approaches
Level of risk transfer	Medium
Scope for innovation	Medium

Indicative financial profile



Operating cash flows	Undiscounted FY19-53 total	Assumptions / notes
Capex	(\$42.3m)	Per option 1
Unitary charge	(\$24.1m)	Maintenance plus accommodation costs per option 1

Note: intended for illustration only and not suitable for comparing options due to different risk profiles; excludes financing items;

6. Design-Build-Finance-Maintain (DBFM) / Build-Own-Operate-Transfer (BOOT)

Under these options, QLDC enters into a long-term contract with a private consortium who designs, builds, finances and operates the council offices. The DBFM model is similar to the standard PPP model in New Zealand, although the private sector has not operated the assets in most New Zealand PPPs (e.g. the Ministry of Education operates all schools built under PPPs). Variations around asset ownership and operational responsibilities are often driven by practical considerations such as tax treatment or existing supplier relationships and contracts.

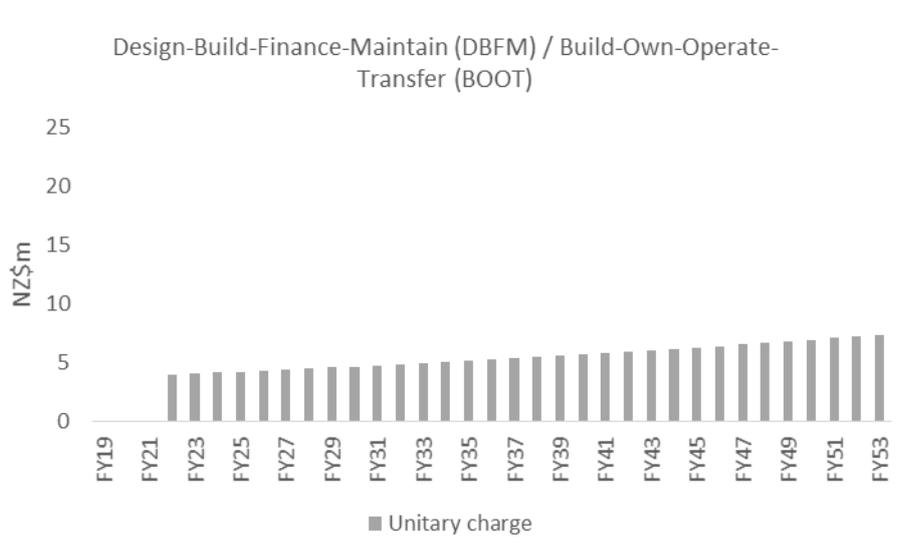
Similar to DBM, these models involve QLDC contracting with an integrated consortium for a defined term with the potential benefits of a whole of life benefits. However, the use of private financing avoids an upfront financing requirement for QLDC. The initial capital cost is replaced by an ongoing operating payment, albeit one that follows a predetermined path over the contract term.

Key commercial features

- DBFM/BOOT contracts are designed to deliver whole of life and risk allocation benefits over their term. The contractor is responsible for ensuring that the property is appropriately maintained and meets the required standards.
- In addition, the higher costs and longer timetable of a DBFM/BOOT procurement process means that it is usually suited to larger projects. It is also a complex process and requires an active ongoing contract management function to ensure the performance regime operates as designed.

Considerations	DBFM / BOOT
Project size/market capacity	Larger sized projects
Office building ownership	QLDC under DBFM. Private contractor during the term of the contract under BOOT
Ongoing maintenance	Private contractor during contract term
Financing	Private contractor
Speed of delivery	This has one of the longest procurement process times given the need for consortium to form and more complex upfront contracting arrangements.
Level of risk transfer	High
Scope for innovation	High

Indicative financial profile



Operating cash flows	Undiscounted FY19-53 total	Assumptions / notes
Unitary charge	(\$188m)	Annualised value of capex, maintenance and accommodation costs (per option 1), private sector cost of capital (7.9% real pre-tax WACC), inflated by 2% pa, and paid over 47 years (assuming a 3 year construction period).

Note: intended for illustration only and not suitable for comparing options due to different risk profiles; excludes financing items;

Appendix B Options assessment summary

The assessment criteria are set out in section 4. For each criteria, we apply the following rating system to assess the suitability of the procurement option.

Rating	Description
✓✓	Option strongly satisfies the criterion
✓	Option partly satisfies the criterion
-	Option is neutral or does not apply to the criterion
X	Option is unlikely to meet the criterion
?	It is uncertain or risky whether the option will meet the criterion

The following table provides a summary of the options assessment against the assessment criteria.

Assessment criteria	1. Design-Build + Hold	2. Design-Build + Sale and Leaseback	3. Develop and Lease	4. JV Develop and Lease	5. DBM	6. DBFM/BOOT
Aligns with the investment objectives, including timing	✓✓	✓✓	-	? timing	-	? timing
Transfers risks from QLDC where appropriate	✓	✓	✓	✓	✓	✓
Flexible to changing requirements and potential alternative uses of the site	✓✓	-	-	-	X	X
Enables lower whole of life costs	-	-	?	?	-	?
Encourages innovation and better design solutions	✓	✓	✓	✓	✓	✓
Facilitates competitive procurement	✓✓	-	-	X	-	✓
Attractive to suppliers given the scale, risks and rewards of the project	✓✓	X	X	✓ only with Ngāi Tahu	X	✓✓ particularly if bundled with parking
Maximise QLDC's overall funding capacity	-	-	-	-	-	-
Achievable within legal and regulatory constraints	✓	X	X	✓	✓	✓
Achievable given QLDC's resources and experience	✓✓	✓	✓	? potentially complex	✓	? potentially complex
OVERALL SUITABILITY	Y Preferred	N	N	Y Only with Ngāi Tahu	N	Y

Appendix C Financial impact

This section provides a preliminary analysis of the financial impact of the short-listed options for QLDC.

The JV option is described only in qualitative terms as insufficient detail is available on the roles and structure of the JV to make reliable assumptions (refer below). The indicative financial impact of the other two options are quantified below.

We have excluded changes in the value of the land in the analysis for the Design-Build and DBFM options. Given QLDC retains ownership under both options and site restrictions do not change under either option, land value is not considered a differentiating factor.

The annual figures shown in the tables in this section are in nominal New Zealand dollars. Cost projections are indicative and are based on QLDC's Draft Long Term Plan (LTP) unless otherwise stated. We have made no allowance for costs that were excluded from the LTP. An additional 2% annual inflation was applied to operating costs.

The '10yr total' figures are the undiscounted sum of the relevant annual figures. The '50yr NPV' is calculated based on an illustrative 8.2% nominal pre-tax discount rate⁴ for both options. The 50 year period is assumed to represent the economic life of the building and the maximum term of any DBFM contract.

1. Design-Build + Hold

Cash-flow impact

The key cash-flow items for this approach are:

- Initial outlay for construction, likely paid on completion of milestones
- Ongoing maintenance costs, including building and grounds maintenance and property management
- Ongoing accommodation costs, such as utilities, rates, insurance, cleaning and security

Cash-flow impact: Design-Build + Hold (\$m)

Year	1	2	3	4	5	6	7	8	9	10	10yr total	NPV (50 yrs)
Capex	5.7	21.8	14.8	-	-	-	-	-	-	-	42.3	35.6
Maintenance costs	-	-	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.9	3.1
Accommodation costs	-	-	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.1	3.4
Total	5.7	21.8	14.8	0.5	0.6	0.6	0.6	0.6	0.6	0.6	46.3	42.0

Note: intended for illustration only; excludes financing items;

Balance sheet impact

Although we have not considered the specific accounting treatment of this particular transaction, a typical impact on the balance sheet would be:

- An increase in Fixed Assets to reflect the ownership and control of the building. This would be depreciated over time in accordance with QLDC's depreciation policies.
- The cost of lifecycle maintenance would be capitalised and depreciated in accordance with QLDC's depreciation policies.
- An increase in net debt position reflecting the financing of the construction through QLDC's cash reserves or borrowing.

⁴ Represents QLDC's estimated cost of capital, based on its cost of debt, and other assumptions used by Treasury to calculate a public sector cost of capital

2. DBFM

Cash-flow impact

The key cash-flow impact for QLDC is the payment of a unitary charge to the Contractor for a defined contract term. This payment would be set and indexed by a formula prescribed in the contract.

For this illustration, the unitary charge is calculated to be the annual amount (inflated at 2% per annum) which is needed to cover upfront construction and transaction costs, ongoing maintenance and accommodation costs (per the Design-Build option above), and a private sector cost of capital⁵, paid over 47 years (assuming an initial 3 year construction period).

'Risks transferred' represents an estimated value of risks transferred to the private sector under DBFM compared to the Design-Build + Hold option. This is an indicative figure, based on a high level quantification of key risk items related to planning approvals, design, site conditions, construction, and operation and maintenance. We have carried out the quantitative risk analysis based on our experience of similar projects, but without any technical advisor input or detailed designs or project plans. This analysis should be revised with input from relevant specialists once project plans are more advanced.

Cash-flow impact: DBFM (\$m)

Year	1	2	3	4	5	6	7	8	9	10	10yr total	NPV (50 yrs)
Unitary charge	-	-	-	4.3	4.3	4.4	4.5	4.6	4.7	4.8	31.6	50.6
Risks transferred												(4.9)
Risk adjusted total												45.6

Note: intended for illustration only; excludes financing items

Balance sheet impact

There is no upfront financing requirement under the DBFM model, however the long term financial commitment under the DBFM contract is likely to impact QLDC's balance sheet and its capacity to finance other capital projects. Although we have not considered the accounting treatment of this particular transaction, a typical impact on the balance sheet would be as follows:

- During the construction phase, the value of the office asset and a corresponding liability are recognised progressively as the construction is completed.
- When the asset becomes operational, the asset and the financial liability are recorded at fair value which equals the capitalised costs incurred by the Contractor during the construction period (including capitalised interest). The cost of lifecycle maintenance is also capitalised up-front.
- Subsequently, these assets are depreciated in accordance with QLDC's depreciation and revaluation policies.
- The financial liability reduces over the term of the contract as it is repaid through the unitary charge.
- The cost of operating services and interest on the financial liability, included in the unitary charge, are recognised as expenses.

3. JV with Ngāi Tahu

As discussed above the financial impact of this option cannot be reliably quantified due to the uncertainties of the commercial structure. In particular it is challenging to establish the value of the land sold or leased to the JV for the development. There is limited market information (e.g. comparable transactions) to estimate a fair value of reserve land. The value of land impacts the ownership, contributions and distributions of the JV partners, and how QLDC treats the JV for accounting purposes.

⁵ Estimated 7.6% nominal post-tax discount rate (an equivalent 7.9% real pre-tax discount rate)

Cash-flow impact

The key cash-flow impact for QLDC are the payment of equity contributions and income from distributions related to the JV. These will depend on QLDC's economic interest in the JV, the funding arrangements of the JV, and the cash flows available for distribution to equity holders.

Balance sheet impact

The JV would be represented on QLDC's balance sheet in line with the Principles of Consolidations set out in QLDC's financial statements, e.g. as a subsidiary or minority interest depending on the relevant accounting treatment.

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Project
Connect
Indicative Business Case



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Project Connect Indicative Business Case

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QUEENSTOWN LAKES DISTRICT COUNCIL

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Contents

1	Executive Summary	1
2	Introduction	4
3	The Strategic Case – Making the Case for Change	5
3.1	Strategic Context	5
3.2	The Need for Investment	11
3.3	The Case for Change	14
3.4	Potential Business Scope and Key Service Requirements	17
3.5	Main Benefits	18
3.6	Main Risks	19
4	Economic Case – Exploring the Preferred Way Forward	24
4.1	Critical Success Factors	24
4.2	Longlist Options Assessment	25
4.3	The Shortlisted Options	27
4.4	Selecting the Preferred Site	30
4.5	The Preferred Way Forward	33
5	Outlining the Commercial Case	37
5.1	The Deal – What we need to buy/fund	37
5.2	Procurement strategy	37
5.3	Consenting strategy	37
5.4	Property acquisition strategy	38
5.5	Implementation and contract management	38
6	Outlining the Financial Case	39
6.1	Indicative costs	39
6.2	Options for alternative procurement	40
7	Outlining the Management Case	41
7.1	Governance and reporting	41
7.2	Project management and assurance	41
7.3	Communications and stakeholder management	42
	Appendix 1 – Issues & Opportunities	43
	Appendix 2 – Investment Logic Map (ILM)	45
	Appendix 3 – Multi Criteria Assessment of Shortlisted Sites	46
	Appendix 4 – Build Quality Options Assessment	47
	Appendix 5 – Project Connect Summary Report	48

1 Executive Summary

The Need for Investment

For the last two years, QLDC has been telling the story of a growing QLDC staff working across four offices impacting negatively on customer service. It has been consulting with the community through the previous two Annual Plans on its intention to create a one office accommodation solution. Since 1989 consecutive Councils have been discussing, planning and designing a single office solution in the Queenstown CBD but no, one solution that meets the needs of the current and future community has been delivered.

The offices are now in four different corners of the town. Only two of the buildings are community-owned, the others are leased. This situation means the community isn't receiving the service it deserves, its creating huge time inefficiencies and affecting Council's culture. On average 30 members of the public a day are now being redirected from Gorge Road to Shotover Street or vice versa (a 7.5-minute walk) or by car a location either way with limited convenient parking. Further issues have been defined in the following problem statements:

Problem 1	Workplace strategy is limited and reactive, leading to ineffective and uncertain accommodation requirements (40%)
Problem 2	Geographical separation causes inefficiencies, community confusion and frustration (30%)
Problem 3	Facilities are not fit for purpose, leading to inefficiency and impacting staff and customer satisfaction (15%)
Problem 4	Market forces are creating a risk of reduced community relevance of the town centre (15%)

Notably on the 26 August 2015 the Council made the following resolution that the Gorge Street offices were not fit for purpose: *note that the current Gorge Road premises do not meet the current and future needs of the Council.* This position has been met with full support from the new (2016) Council.

Recent work on the Queenstown Town Centre Masterplan has identified the existing Gorge Road office as being potentially on the preferred route of the new Town Centre Arterials, creating another driver for the need to invest in a new office accommodation solution.

The Case for Change

Council wants to improve the way it works and to create incentives to work and visit the town centre. This has led to QLDC developing a workplace strategy across the entire organisation and the investigation of accommodation options for Queenstown based staff. The benefits sought from these two initiatives are outlined below with service delivery being critical.

Investment Objective One	Effective & efficient service delivery, both internally and to ratepayers and customers (60%)
Investment Objective Two	Improved staff culture, satisfaction and retention (25%)
Investment Objective Three	To encourage a diverse, vibrant and resilient town centre (15%)

With existing leases expiring on 30 September 2020 and lease costs in 2017 now in excess of \$600,000 (including parking leases) an ambitious target of having any new accommodation options available by this date has been set.

The Preferred Way Forward

Delivering better service for the community is a priority. Additionally, locating the organisation in one place will create huge time efficiencies and an injection to Council’s culture. The mandate is to create this space in the town centre, contributing to the authenticity by keeping local people in town. It ensures any investment in the local lifeblood of the town centre is enduring.

Prominence within the town centre is important – it would allow a more open feeling to the day-to-day interactions with the community in an easier to access location. This is in line with the 24 February 2016 resolution of Council that confirmed: the Council’s preferred location be the Queenstown CBD. Furthermore, the same resolution mandated that council-owned be the preferred model (see page 7).

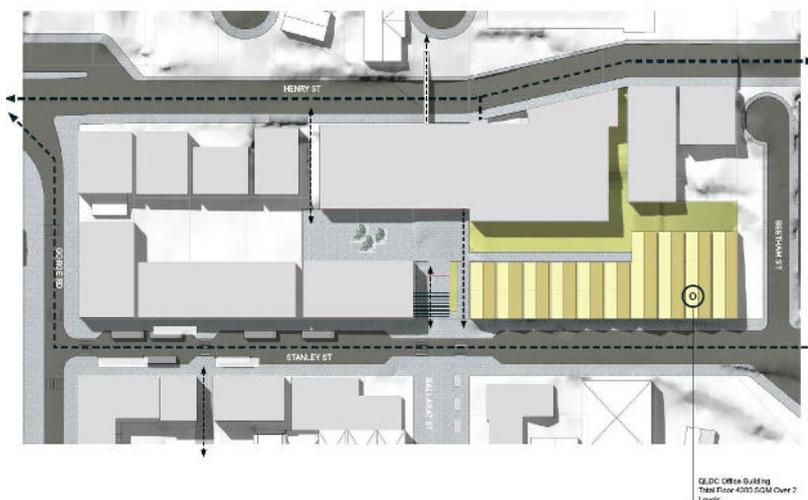
Right now, there is a great opportunity to take a special site at the heart of the Queenstown Town Centre and turn it into something that draws Queenstown together and expresses the community’s identity. The idea of re-establishing a community heart has come through strongly, both through the project work and early community engagement where QLDC was told that more community and cultural activities are needed in town.

Preferred Location



The yellow block shows the preferred location for a community heart. There is an opportunity to consider community spaces that could interface with the Council office development, in a staged approach.

The Stanley Street site has been short-listed as the preferred location for a combined Council office and community heart, with the Ballarat Street carpark being identified as the preferred site for Project Connect. Although it should be noted that other options, particularly Lakeview continue to be viable.



The yellow block shows a potential layout of the office building on the preferred site along with other possible community heart buildings.

Building Size and Quality

This is a once in a generation move, and to ensure the office is appropriately sized to allow for growth and a changing workplace strategy, a floor area of 4,150 m² has been settled on as the most appropriate. This along with a high quality of build will provide the necessary flexibility and functionality to future proof this build for at least the next 20 years. It is important to note the building will need to respond to the principles of the QLDC Disability Policy, particularly in terms of functionality and accessibility.

This long overdue investment will be realised with loan funding of \$41.5m set to be included in the 10 Year Plan to build a new council office. Note this is intended to be offset by the sale of 10 Gorge Road.

Library Options

Under the 2015 Library Strategy a Frankton Library Hub and Shopfront Library solution for Queenstown were identified. The more recent Queenstown Master Plan development points to an aspiration for a destination library in Queenstown. The Council has now determined that a short-term library could be established within Project Connect, potentially using space anticipated for growth.

Outlining the Commercial Case

To support the development of a detailed business case and to ensure it is a robust piece of work it is recommended that the following professional services are engaged.

- Commercial advice on alternative funding options.
- Legal services – to confirm the path to use options and preferred way forward.
- Planning services – to understand and plan for resource consent application.
- Design services
 - Concept Design – lodge Project Information Memorandum (PIM) to establish if resource consent is required.

Outlining the Financial Case

A traditional ‘Council Build’ option has been modelled as shown below in line with the ‘council-owned’ mandate. However, with competing funding challenges facing council in the development of the 2018 10 Year Plan, alternative procurement scenarios have been considered, but could be investigated further.

Year	1	2	3	4	5	Yrs 0-10
	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Preferred Way Forward: Council Build						
Capital	5,729,000	21,434,000	14,289,000	0	0	41,452,000
Operating	0	286,000	1,358,000	3,128,000	3,128,000	23,540,000

This scenario does not include the potential of incorporating a library as part of Project Connect. Based on an indicative floor area of 650m² this could add another \$0.4m - \$4.2m to the project costs (less if it occupies capacity or more if it is treated as additional space). There may be some budget from the \$5.3m for a Frankton Library that could be redirected towards Queenstown.

Outlining the Management Case

With a key principle being to ‘move forward with pace’ it is proposed that funding is brought forward to engage a dedicated project manager and drive the next steps prior to budgets being approved via the 2018 10 Year Plan consultation in March 2018.

The following key milestones have been identified:

- Land tenure secured – 2018
- Scope/integration confirmed – 2018
- Delivery model confirmed – 2018
- Programme confirmed – 2018

2 Introduction

This Indicative Business Case seeks formal approval to invest \$41.5 million in 2018/19 to 2020/21 to progress and build a new office building to accommodate the elected members and Queenstown based staff of the Queenstown Lakes District Council.

The business case process is organised around a five-case structure designed to systematically ascertain that the investment proposal:

- is supported by a compelling case for change - the 'strategic case'
- optimises value for money - the 'economic case'
- is commercially viable - the 'commercial case'
- is financially affordable - the 'financial case'
- is achievable - the 'management case'.

The purpose of this indicative business case is to:

- confirm the strategic context and fit of the proposed investment
- confirm the need to invest and the case for change
- identify a wide range of potential options
- recommend a preferred way forward for further development of the investment proposal, supported by a limited number of shortlisted options for further analysis
- seek the early approval of Council to develop a Detailed Business Case, based on a preferred way forward
- to seek agreement to approach the market for professional services.

This indicative business case has been developed with the Project Control Group (PCG) made up of the following members:

- Internal:
 - Project Sponsor - Meaghan Miller
 - Project Director – Paul Speedy
 - Members – Peter Hansby, Richard Pope, Ryan Clements, Michelle Morss, Gaynor Webb, Michelle Poole, Cheska Hawksford
- External:
 - Architect – Trevor Watt (Athfield Architects)
 - Business Case Lead – Tom Lucas (Rationale)

3 The Strategic Case – Making the Case for Change

This part of the strategic case confirms the strategic context for the investment proposal and makes a compelling case for change.

3.1 Strategic Context

The strategic context provides an overview of the organisation and the outcomes that it is seeking to achieve, or contribute to, through its operations.

Organisational overview

Queenstown Lakes District Council (QLDC) is responsible for administering the Queenstown Lakes District, which extends from Queenstown as far as Makarora to the north-east, Glenorchy to the north-west and Kingston to the south. The Queenstown Lakes district is one of the fastest-growing in New Zealand and is expected to grow faster than Auckland over the period 2006-2031. The district's permanent population was 32,400 in 2015 and is forecast to be 41,700 by 2025, 60,500 by 2045 and 70,000 by 2055.¹

QLDC employs 250 FTE staff (headcount of 300), has annual expenditure of \$104m and owns/manages numerous assets including an international airport, property, sports facilities, water assets and roading assets.

The needs placed upon QLDC are many and varied. The core services of QLDC include the management of airports, libraries, halls, sports facilities, cemeteries, emergency management, animal control, environmental health, parking, sustainable environment, transport and water services.

Added to this, QLDC has a responsibility to shape its services to deal with a very high number of visitors to the district. Strong growth year-on-year in the number of visitors choosing the Queenstown Lakes district as a destination brings pressure to services and infrastructure, including increasing levels of congestion in the CBD.

Rapid growth in housing stock is affecting the geographical spread of residential areas, with more properties being built away from the CBD. These changes raise the question of whether the current provision of Council services from numerous offices in the Queenstown CBD is appropriate to the needs of its staff and the community, both today and into the future.

Planning for the future needs of the community will require sound judgement - balancing the risk of over-investing with the planning and infrastructure risks of under-investing. Tourism is a major contributor to the Queenstown Lakes economy; however, tourists can be fickle and a major event such as an earthquake could instantly cut off the flow of tourists wanting to visit the region. On the other hand, lack of adequate resources and infrastructure could also result in the area becoming increasingly less attractive, which would have the same effect.

The Local Government Act (LGA)

The LGA (2002) shows a clear desire for communities and their councils to engage with one another, not only for the needs of today's community, but also to make sound decisions for the future.

It gives guidance for local councils as follows:

- To enable democratic local decision-making and action by, and on behalf of, communities.
- To meet the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions in a way that is most cost-effective for households and businesses. (Local Government Act 2002, section 10 (1)).
- The role of local authorities is to lead and represent their communities. They must engage with their communities and encourage community participation in decision-making, while considering the needs of people currently living in communities and those who will live there in the future.

¹ QLDC Growth Projections 2015 to 2055, prepared by Rationale Ltd (Dec 2015)

Local Government Purpose

The one office accommodation Project Connect purpose is to expressively improve the delivery of effective and efficient services for the community, which is expressed as a key benefit in the Investment Logic Map (Figure 6: ILM results).

Section 77

In February 2016, the Council considered a report on office space for Council staff.

The February Report appropriately referred to the Queenstown Town Centre Strategy 2009. The Town Centre Strategy's vision statement refers to Queenstown's town centre being the thriving civic heart of Queenstown. One of the objectives of the Town Centre Strategy is that the town centre retains key civic and community functions that underpin its relevance to the local community.

The February Report identified two options for assessment under s77 of the LGA: doing nothing, or developing 'one office' accommodation in the Queenstown CBD. It is evident that a Frankton location, although referred to in the preceding sections of the report, was not considered a 'reasonably practicable option' and was therefore not considered under s77.

The Council's Mission

"To enhance the quality of life for all people within the District:

- By further developing services and facilities.
- By carrying out sound social, physical and economic planning.
- By ensuring the provision of cost effective services is responsive to community needs."²

This mission statement balances the need for embracing growth and modernisation, alongside a duty to allocate resources responsibly. There is a focus on responsiveness to community needs and, with the pace of change the Queenstown Lakes district is currently experiencing, this is particularly relevant.

QLDC's 10 Year Plan

The long-term plan (10 Year Plan) puts structure around dealing with the future needs of the community. As mentioned above, the need to engage with and encourage community participation is a key part of the responsibilities laid down in the LGA.

Accordingly, one of the short-term priorities contained within QLDC's 10 Year Plan is:

Modernising the way the community engages with the Council and accesses Council services.

"The challenge of the Council's physical accommodation has meant that staff are spread across multiple sites. Work to explore options for accommodating as many staff as possible in one building in both Queenstown and Wanaka is under consideration. The intent is to better align related functions and improve internal communication channels, for example it would be advantageous to have all customer-facing activities (customer services, libraries, regulatory and consenting) in one location so as to provide a seamless front-facing service to customers." (page 99)³

Current Direction

Queenstown Office(s)

A report by Colliers International Queenstown in February 2016 states that "QLDC currently occupies three buildings in central Queenstown. The only Council owned building on Gorge Road accommodates the Council's main reception, council chambers, executive offices and administrative offices." (page 5).⁴

² <http://www.qldc.govt.nz/your-council/our-mission/>

³ <http://www.qldc.govt.nz/assets/Uploads/Council-Documents/Ten-Year-Plans/2015-2025-TYP-VOL1.pdf>

⁴ <http://www.qldc.govt.nz/assets/Uploads/Council-Documents/Full-Council-Agendas/2016/24-February-2016/Item-1/1a-Accommodation-Project-Colliers-report.pdf>

Figure 1: Current QLDC Accommodation

	Leased Area	Workstations (incl. Offices)	Workstations/psm
Gorge Road (Excluding Library)	556 sqm	57	9.75
Council Chamber	132 sqm		
74 Shotover Street – Level 1	654 sqm	61	10.85
7-11 Church Street	587 sqm	55	10.67

After consideration of the current situation and its fit for purpose in terms of provision of services to the community, staff well-being, work efficiencies, and cost efficiencies, Colliers’ recommendation was as follows:

“We are therefore of the opinion QLDC must plan the development of a new office accommodation solution contained within one building to be available for occupation by October 2018 coinciding with the opportunity to exit existing lease agreements at no penalty cost.” (page 25).

On 24 February 2016, QLDC held an ordinary meeting of the Council. The minutes of the meeting note an intention to develop a plan for ‘one office’ with a preference for a site within the CBD:

- “Agree that the Council considers a proposal to develop a ‘one office’ Council office accommodation by 2018 and support the provision of \$250,000 in the 2016/17 Annual Plan (as a maximum placeholder) for project investigation, planning and design;
- Confirm that the Council’s preferred location for a future Council office building is the Queenstown CBD, in accordance with the Queenstown Town Centre Strategy 2009 (section 8.1), subject to an assessment of any consenting, designation or similar issues;
- Confirm that any proposal would require:
 - The proposed building be constructed on a Council-owned site.
 - Further consideration of the merits or legality of a joint venture versus a Council-owned option.
 - The proposed building being capable of accommodating all Queenstown-based Council office staff with an acceptable provision for growth.
 - Further consideration of the 2020 Frankton Library Hub as included in the current 10 Year Plan with potential to either bring the 2020 proposal forward or develop an interim library solution for implementation in 2018.
 - Consultation on the proposal detail and options in the 2017/18 Annual Plan. noting this as an amendment to the 10 Year Plan [Local Government Act 2002 Section 93(4)] “

Queenstown Library

In 2014, a public consultation process and the subsequent development of a Strategic Review of Library Services Report reinforced the projection that a Frankton Library would be necessary in the long term. In 2015 Council consulted on the development of a Frankton Library Hub and included funding of \$5.3m in 2020 in the 10 Year Plan. This funding and the strategy assumed that the Queenstown Library presence would be reduced to become a ‘shop front’ presence ostensibly for the return and pick up of books for CBD workers.

In 2017 two things have informed a shift in this approach. Frankton and environs (Bridesdale, Lake Hayes Estate, Shotover Country, Retirement Village, Jacks Point etc) have experienced significant residential growth in addition to the relocation of schools. As such, there has been some demand from the community to accelerate the Frankton Library proposal.

To this end, a trial ‘pop up’ library has been established at the Queenstown Event Centre which has proved to be overwhelmingly successful. The ‘pop up’ library has been open since 11 August 2017 and has already doubled its circulation (number of books, magazines etc that have been checked out) with one book issued every two minutes (September 2017). A decision was made on 28 September 2017 that Council seek an Expression of Interest to enter into a short-term lease for a Frankton Community Library. The proposal creates an opportunity to focus on the creation of a flexible, technologically enabled, light and modern environment which would encourage the community to use the space for other purposes, such as performances and meetings. This could potentially build upon initiatives already finding success at other

library locations in the district, such as wheeled shelving and hosting of events. It therefore could contribute significantly to the cultural, artistic and literary landscape of the wider Frankton area.

Secondly the Queenstown Town Centre Masterplan identified that an aspirational, destination library should also be considered for the Queenstown CBD. This position was supported through the public engagement.

The Queenstown Town Centre Masterplan work, states “...demonstrated that a more significant library presence is not only desirable but appropriate for the CBD. This would be in addition to a Frankton Library.”

Although there is no additional budget proposed for a Queenstown Library in the 10 Year Plan, an interim solution for a Queenstown Library is now being considered to sit within Project Connect, until such time as the additional built in capacity for growth is required. Therefore, a moderate library (initially larger than the current Queenstown Library space of 450 square metres) has now been considered as part of the scope for the development of Project Connect.

Other Background

Related reports	Date	Points of note
QLDC Future Accommodation Options Report	Feb 2013	Reiterated problems with current office accommodation situation including: multiple and confusing points of contact, non-competitive rental arrangements, quality of working space sub-standard.
Organisational Review⁵	Apr 2013	Discussed the culture of performance at QLDC and concluded that silos could be the result of a physically fragmented work place.
Maxwell Associates Report⁶	Mar 2014	Set goals, strategies and outcomes for strategic library services (page 61).
QLDC Offices and Library Detailed Seismic Assessment⁷	Oct 2014	Advised that QLDC was required to re-address storage of any critical records and the civil defence headquarters due to seismic rating of Gorge Road site.
McDermott Miller Report⁸	Nov 2014	Discussed the case for zoning additional commercial space in Queenstown Town Centre (QTC) under Plan Change 50.
QLDC Meeting Minutes	Aug 2015	On 26 Aug 2015, a motion was made that directed the Chief Executive to conclude negotiations to meet the immediate accommodation space requirement for the next 2-5 years in the Queenstown CBD.
Annual Plan 2016/17 2017/18	June 2017	Consultation on the intention for inclusion of the One Accommodation Project in the 2018 10 Year Plan.

Alignment to existing strategies

The investment proposal has the potential to align to the town strategy developed in 2009 and the downtown commercial strategy, in which there are strong arguments for council services to remain in the CBD. Given

⁵ http://www.qldc.govt.nz/assets/OldImages/Organisational%20review/QLDC_Organisational_Review_Final_Report.pdf

⁶ http://www.qldc.govt.nz/assets/OldImages/Files/2014_Full_Council_Agendas/27_March_2014/4a_-_Library_consultant_report.pdf

⁷ <http://www.qldc.govt.nz/assets/Uploads/Council-Documents/2015-Full-Council-Agendas/3-Jun-2015/Item-9/9a-Att-A-Holmes-Consulting-Structural-Assessment.pdf>

⁸ <http://www.qldc.govt.nz/assets/Uploads/Planning/District-Plan-Changes/50/PC-50-Council-Evidence/Evidence-04-Phil-McDermott-Economics.pdf>

the age of the town centre strategy and the speed with which Queenstown and its surrounding areas are evolving, some consideration must be given to the relevance of its message today.

Queenstown Town Centre Strategy (Dec 2009)

In alignment with this strategy, the Council resolved to consider alternative accommodation options in Queenstown's CBD. The Queenstown Town Centre Study (2009) states in section 8.1 that Queenstown is the 'civic heart' of the district. The strategy reinforces that it is appropriate for Council offices to be located in the town centre. Objective 5 of the strategy states that: "The town centre retains key civic and community functions that underpin its relevance to the local community." (page 5).

This strategy argues that a diverse mixture of activities in the town centre is essential to create an interesting and exciting urban environment. The presence of community services and facilities that help underpin other businesses relevant to the local community are important to maintain a diversity of economy in the town centre.

One of the issues it highlighted is the risk that the town centre is becoming less relevant to the local community. Regardless of the importance of Queenstown to the visitor industry, above all else it should remain the community's town centre and retain key civic and community functions that underpin its relevance to the local community and provide a variety of reasons to visit the town centre.

Ultimately, this strategy recommended that Council offices be located within the Queenstown town centre.

Queenstown Downtown Commercial Strategy (Jan 2017)

This strategy seeks to maintain connection and engagement between local residents and businesses by achieving a necessary balance between tourism and community. Its aims include:

- Commercial Reliance – Advocate for the importance and value to surrounding businesses of having QLDC's primary offices located in Queenstown.
- Community Centricity - Further develop civic amenities centred on the Town Centre – such as arts, culture, libraries and customer service facilities.
- Stemming Attrition – Promote the benefits of locating professional and creative offices in Queenstown's characterful, collaborative Town Centre.

There is continued concern from Queenstown residents that the town centre could become weighted too heavily toward tourists as traditional businesses and cultures make way for changing markets and demographics.

Council offices and nearby amenities are a key anchor for the town centre. They employ a relatively large number of people and their proximity benefits a range of supporting businesses such as solicitors, planners, architects and accountants.

The Downtown area also has several community-based cultural activities such as the Queenstown Arts Centre and Memorial Theatre. Ensuring these facilities remain and can grow in the town centre is vital for continued local and commercial community relevance.

The strategy also discusses an opportunity to co-locate a transport hub with new Council facilities to create an integrated civic amenity.

Queenstown Town Centre Masterplan (Due to be completed in 2017)

A review of strategic documents, including the Town Centre Strategy (2009), Transport Strategy (2016) and Inner Links project (2014), showed that they have often been created in isolation from land use development and wider strategic goals, and that they usually address one prime focus rather than seeking multiple integrated strategic benefits.

The masterplan seeks to weave together various project work streams and offers a great opportunity to integrate plans for inner links, a public transport hub, parking and a single point of contact for Council. Deliberately combining these elements into one overall plan will allow the projects to be developed in a complementary manner and to a timeline that offers the best chance of success / cost-efficiency.

It's crucial that our town centre delivers an attractive experience to locals and visitors. QLDC know that they need to make a shift and be more ambitious about their future planning. Thus, the masterplan has arrived at the following vision and subsequent benefit statements.

Vision:
- Supporting a thriving heart to Queenstown, now and in the future

Figure 2: Town Centre Masterplan Benefit Statements



Figure 3: Town Centre Masterplan Objectives

A LIVEABLE TOWN CENTRE SHOULD BE

COMPACT

High density and mixed land use promotes a resilient, diverse and multi-functional economy. Great for local business, living and culture.

WALKABLE AND CONNECTED

Promotes walking and cycling as the primary way to move around, improving health and wellbeing.

DIVERSE

Provides a mix of retail, civic, arts, entertainment and cultural experiences for locals and visitors.

HUMAN SCALE

Buildings that are easy to interact with and provide a good quality of life.

SMART

Improving local and visitor experiences through world leading technology and information.

AUTHENTIC

Enhancing the unique landscape, social and cultural heritage for locals and visitors.

MAGNETIC

Draws people in to experience the cultural, entertainment and landscape offering.

ACCESSIBLE

Offers a range of easy to use and affordable transport choices.

SUSTAINABLE

Designed with consideration of environmental impact.

PLACE

A dynamic, well-designed and constantly evolving destination, celebrating local character.

Key messages from this for Project Connect are:

Queenstown has a liveable, thriving & authentically NZ town centre, where visitors and locals freely mix.

- **COMPACT** High density and mixed land use promotes a resilient, diverse and multi-functional economy. Great for local business, living and culture.
- **DIVERSE** Provides a mix of retail, civic, arts, entertainment and cultural experiences for locals and visitors.

3.2 The Need for Investment

During the months of February and March 2017 the Project Connect PCG workshopped through all the issues that had been identified and settled on four problem statements. These are shown below and the full list of issues and opportunities are contained in Appendix 1.

Since these workshops the Queenstown Masterplan has identified the Gorge Road office site as being on the preferred route of the new Town Centre Arterials, creating another driver for the need to invest in a new office accommodation solution.

Table 1: Summary of identified problems

Problem 1	Workplace strategy is limited and reactive, leading to ineffective and uncertain accommodation requirements (40%)
Evidence	There is no workplace strategy in place but there is a strong desire for staff to work smarter.
	Leasing of current space and its utilisation and fit-out has been largely reactive. Recent consolidation from 6 leases down to 2 leases resulted in \$350k p.a. savings. This still leaves 4 office buildings and is not considered optimal.
	The 2015 Staff Questionnaire ⁹ identified the desire for more quiet rooms, breakout areas, meeting rooms, Councillor workstations, file storage space, secure bike shed, changing rooms and showers.
	The work environment has the potential to impact recruitment and selection.
Problem 2	Geographical separation causes inefficiencies, community confusion and frustration (30%)
Evidence	Time lost through walking between offices for meetings (see Figure 4 below for the distances involved).
	Frustration from community that all services are not in one location. As of November 2017, on average 15 members of the community, per day, (our valued customers), are told at the Gorge Road Office that they will need to walk approximately 7.5 minutes down the road to the Shotover Street Office where Planning and Building are located. There is little likelihood for those customers, having found a carpark to visit Gorge Road, to then find another close to the Shotover Street office. Additionally, external meetings with Council staff regularly see the individual or individuals arrive at the wrong location

⁹ Queenstown Lakes District Council Accommodation Project, Colliers International Queenstown, 2015.

	given the four options. This is likewise now a daily and frustrating occurrence for all concerned
	Significant management, organisational and culture engagement challenges have been experienced.
	Increased information and communications technology (ICT) network costs and complexity. Duplicated printing services have recently been consolidated resulting in savings of \$75k p.a.
	<i>The organisation was lacking the ‘around the water cooler chat’ which can be very useful when ‘letting the left hand know what the right hand is doing’⁹</i>

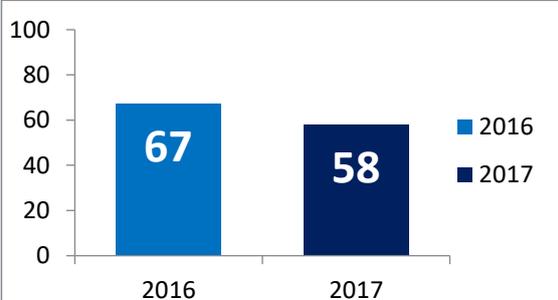
Problem 3 Facilities are not fit for purpose, leading to inefficiency and impacting staff and customer satisfaction (15%)

Evidence

Structural assessment advised seismic rating of some buildings leaves them unfit for some purposes. This includes the storage of critical records and the location of civil defence headquarters. The following is from an assessment of the Gorge Road office building.

“The results of our assessment indicate that the structure of this building achieves approximately 55% NBS (IL2) in terms of the performance for life safety. This building is therefore considered ‘moderate risk’ or grade ‘C’ as per the NZSEE grading scheme. The assessed seismic rating is above the earthquake prone threshold of 33% NBS, therefore the building does not legally require strengthening to meet the requirements of the Building Act 2004.”

The satisfaction with ‘my’ physical work environment amongst staff has plummeted – Annual Staff Engagement Survey 2017.



	<p>There is no suitable engagement or working environment for elected members.</p> <p>Over-crowding, use of meeting rooms as general workspace.</p> <p>The 2015 Staff Questionnaire¹⁰ identified the following concerns; building safety; sub-standard and under provided for ablution facilities; tired workplace; worn carpets; needs redecoration; space is cramped; highly ineffective air conditioning/heating, natural ventilation, meeting rooms, layout, storage, carparking and flexibility to change workstation layout.</p> <p>Current buildings don't encourage or recognise the need for health and wellbeing e.g. showers, locker rooms, bike parks, etc.</p>
Problem 4	Market forces are creating a risk of reduced community relevance of the town centre (15%)
Evidence	<p>The McDermott Miller report indicates that the town centre is used mostly by visitors and that Frankton is used mostly by residents. This is based on the origin of money spent at each location: overseas / NZ resident / district resident.</p> <p>There is growing concern that professional offices are moving out to the cheaper rents on offer in Frankton.</p> <p>As the Masterplan process, has been worked through, the idea of re-establishing a community heart has come through strongly, both through the project work and the early community engagement where they told us that more community and cultural activities are needed in town.</p>

Figure 4: Location of offices and the distances between them

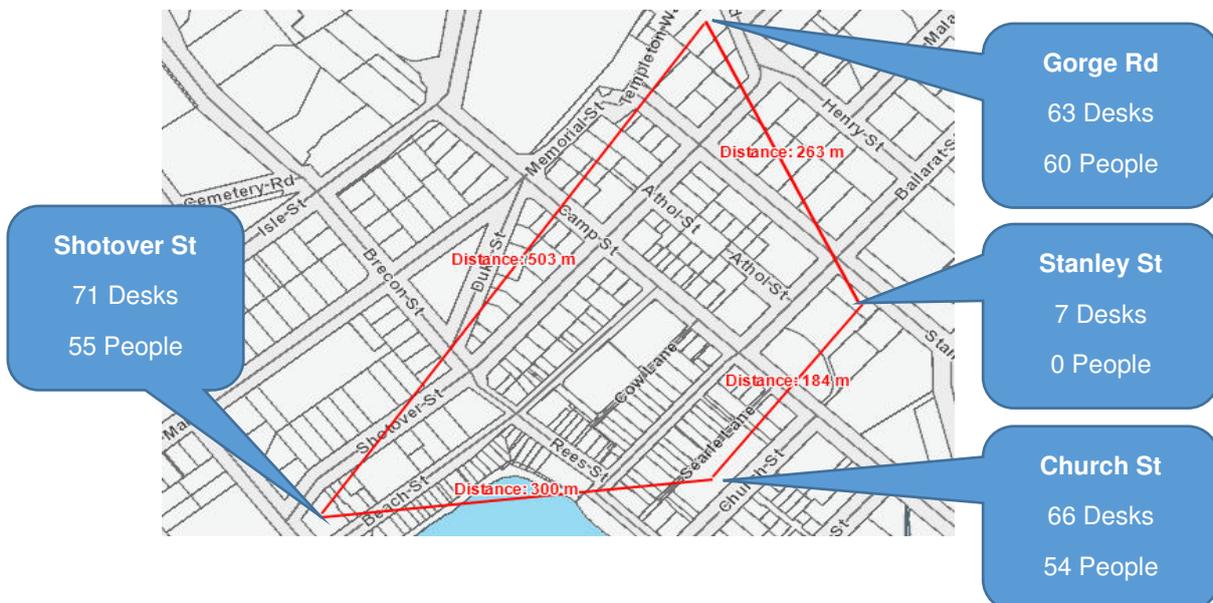


Figure 4 highlights the geographical separation of council offices in Queenstown. This separation reduces the effective and efficient working between council teams which may ultimately be a key factor in the reduced satisfaction with Council as shown below in Figure 5 from the QLDC 2016 Resident and Ratepayers Survey.

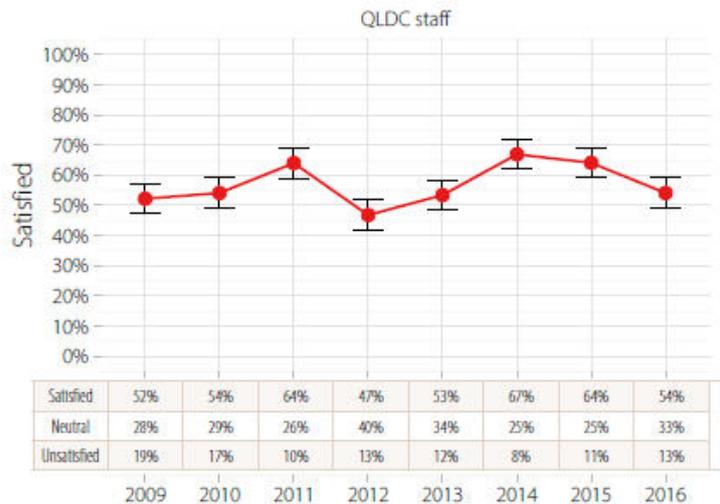
¹⁰ Queenstown Lakes District Council Accommodation Project, Colliers International Queenstown, 2015.

Although attention is paid to ensuring meetings are located appropriately. A lack of meeting space and the need for staff to meet from differing departments means a staff member walking between Shotover and Church Streets and Gorge Road, a journey of approximately 7.5 minutes and returning means that is 15 minutes of lost productivity time. This can be a daily or in some cases twice daily occurrence. No work has been done to fully quantify this cost but over the passage of years, the productivity loss is considerable.

Resident and Ratepayer Satisfaction

Figure 5 on the following page shows a decline in satisfaction with QLDC staff. Although a new Council elected in 2016 has seen this figure improve in 2017, arguably the poor customer service delivered through multiple offices in the Queenstown CBD contributes to a negative experience for thousands of ratepayers.

Figure 5: 2016 Resident and Ratepayers Survey - The Big Picture: How satisfied are you with the performance of QLDC staff?



3.3 The Case for Change

Investment Objectives

An Investment Logic Mapping workshop was held with the PCG on 3 February 2017 to identify the investment objectives and to gain a better understanding of the business needs. The PCG identified and agreed what the problems are with the current situation and what the desired benefits of change are, along with how those benefits could be measured (KPIs). The output from the ILM workshop is shown in full on the next page.

Two key strategic responses were identified by the PCG to address the problems and benefits, these were:

1. Improve the way QLDC works.
2. Create incentives to work in and visit the town centre.

The changes identified to action these strategic responses were:

1. Develop a new QLDC workplace strategy, including a review of Queenstown QLDC accommodation.
2. Retain council services in the town centre.

This business case primarily focuses on the review of Queenstown QLDC accommodation, but is cognisant of the other workstreams running in parallel, such as the workplace strategy development and the Town Centre Masterplan programme.

Investment Logic Map

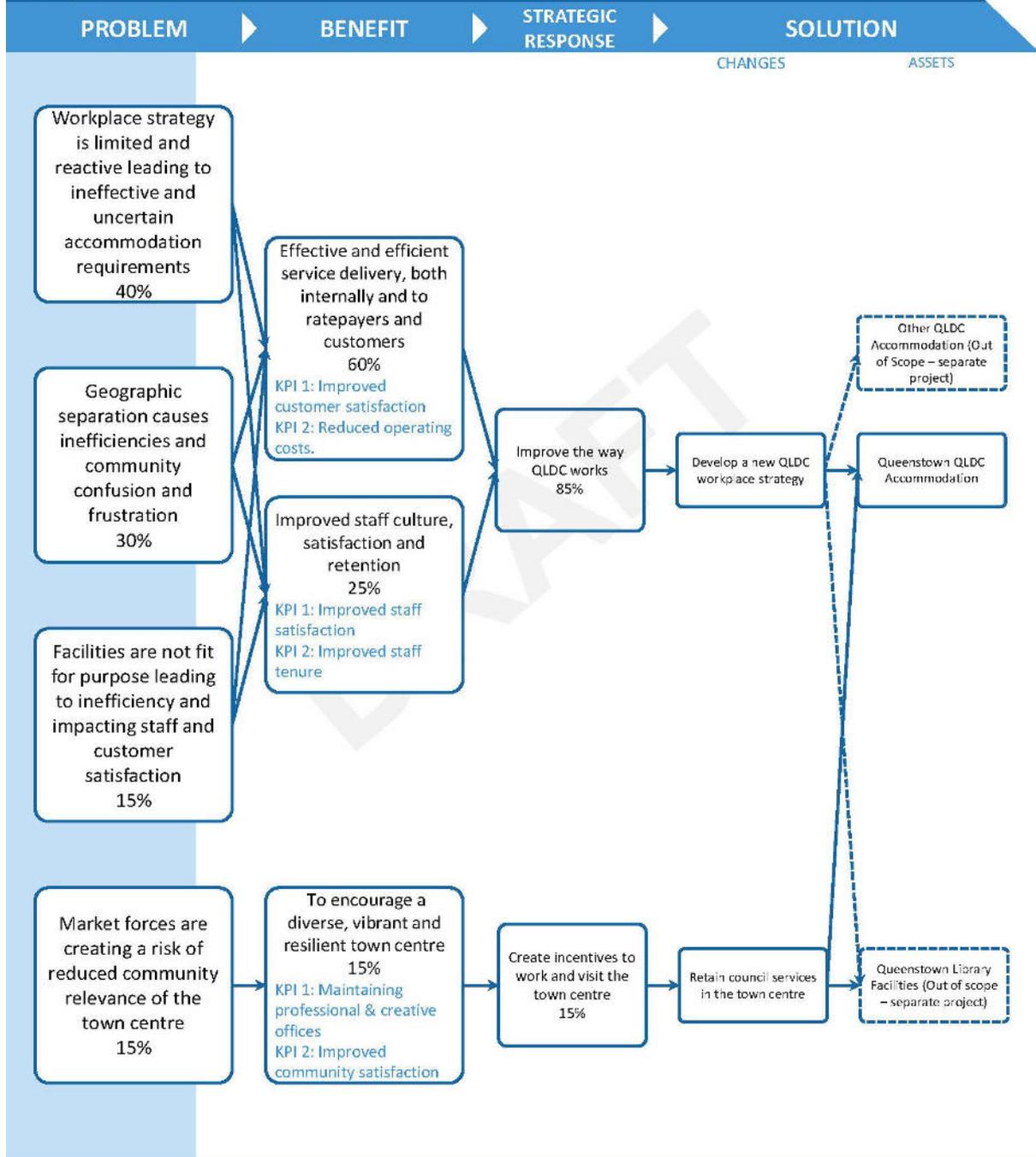
Figure 6 on the following page maps out how the organisation can deliver improved services for the community, which is the key benefit in the map.

QUEENSTOWN LAKES DISTRICT COUNCIL

Improving the delivery of effective and efficient services for the community

Investment Plan for QLDC Accommodation

INVESTMENT LOGIC MAP
Initiative



Investor: QLDC
Facilitator: Tom Lucas
Accredited Facilitator: No

Version no: 2.2
Initial Workshop: 03/02/2017
Last modified by: Tom Lucas 09/03/2017
Template version: 5.0

Figure 6: ILM results

Existing Arrangements and Business Needs

Table 2: Summary of the existing arrangements and business needs

Investment Objective One	Effective & efficient service delivery, both internally and to ratepayers and customers (60%)
Existing Arrangements	Service is delivered from three separate sites in the Queenstown CBD. Fragmented service delivery causes inefficiencies and community confusion and frustration. The current facilities are not fit for purpose leading to missed opportunities and poor customer satisfaction. There are financial inefficiencies because of operating from less modern buildings and multiple sites. .
Business Needs	A single point of customer-facing contact that the community can rely on to meet Council-related needs.
KPIs	KPI 1 – customer satisfaction. KPI 2 – operating costs.

Investment Objective Two	Improved staff culture, satisfaction and retention (25%)
Existing Arrangements	The current organisational structure of physical accommodation has created separation within teams and between teams. With buildings geographically separated and deemed not fit for purpose, the satisfaction with 'my' physical work environment amongst staff has plummeted.
Business Needs	One united workplace/base for staff that encourages an increased sense of team and purpose, in turn improving workplace culture and staff satisfaction.
KPIs	KPI 1 – staff satisfaction. KPI 2 – staff tenure.

Investment Objective Three	To encourage a diverse, vibrant and resilient town centre (15%)
Existing Arrangements	Market forces, such as increased levels of tourist activity, are creating a risk of reduced community relevance of the town centre.
Business Needs	A diverse mixture of activities in the town centre to create an interesting and exciting urban environment for residents and visitors alike.
KPIs	KPI 1 – Maintaining professional and creative offices. KPI 2 – Community satisfaction.

3.4 Potential Business Scope and Key Service Requirements

The potential business scope and key service requirements were identified and assessed by the PCG at workshops held in February 2017.

Please note that further scope refinement will be undertaken once the workplace strategy has been devised.

Table 3: Potential business scope and key service requirements

Service Requirements (in decreasing order of relevance compared to the investment objectives)	Scope Assessment			
	Minimum Scope	Intermediate Scope	Maximum Scope	Out of Scope
Workplace Strategy	Queenstown operations.	Queenstown and Frankton operations.	Whole of Council operations.	Council contractors.
Office Space	Existing Queenstown staff numbers (CEO & Corporate Services, Finance, Planning & Development, Property & Infrastructure, Regulatory).	Existing staff numbers + growth.	Existing staff numbers + Destination Queenstown staff + Economic development unit + growth.	Wanaka staff. Queenstown Events Centre staff. Horticulture team.
Mayor & Councillor Space	Council chambers.	Mayor's office.	Councillor office retreat.	Individual Councillor offices.
Staff Amenities (to be refined through workplace strategy)	Meeting rooms; lunch room; toilets;	Meeting rooms; lunch room; toilets; + Quiet rooms; changing room; circulation & breakout space		
Public Amenities (to be refined through workplace strategy)	Public reception and arrival area	Public reception and arrival area + Public toilets		
Services (to be refined through workplace strategy)	Computer room/storage	Computer room/storage + Printer rooms; rubbish room, file rooms.		

Parking	No parking (to be provided elsewhere)	Visitor parks only.	Visitor + District Plan parking requirements. Co-locating with general public parking.	General public parking.
Library	Existing Queenstown library (411 sqm).	Existing Queenstown library + new Frankton library.	New Queenstown library and new Frankton library.	Libraries outside of Queenstown and Frankton.
Emergency Management	Back up servers and controls.	Back up servers and controls + Emergency Operations Centre.		
Arts & Culture	None	Community space to occupy provision for growth in short-term.	Permanent community space.	Performing arts venue. Museum.
Commercial Space	None	To occupy growth areas in the short-term.	To occupy growth areas in the short-term + Café.	Long-term office space. Convention centre.

3.5 Main Benefits

The PCG identified the following benefits at the facilitated workshop on 03 February 2017.

- Effective and efficient service delivery both internally and to ratepayers and customers (60%).
 - KPI 1 – improved customer satisfaction.
 - KPI 2 – reduced operating costs.
- Improved staff culture, satisfaction and retention (25%).
 - KPI 1 – improved staff satisfaction.
 - KPI 2 – improved staff tenure.
- To encourage a diverse, vibrant and resilient town centre (15%)
 - KPI 1 - maintaining professional and creative offices.
 - KPI 2 – improved community satisfaction.

Table 4: Main benefits

Main Benefits	KPI	Measure	Description	Baseline
Effective and efficient service delivery both internally and to ratepayers and customers	Improved customer satisfaction	The Big Picture: How satisfied are you with the performance of QLDC staff?	Current measure in the annual Ratepayers & Residents Survey.	54% satisfied

Main Benefits	KPI	Measure	Description	Baseline
	Reduced operating costs	Cost-efficiency of operating costs per FTE.	Via QLDC internal finance metrics (annually).	\$6,900 per FTE
Improved staff culture, satisfaction and retention	Improved staff satisfaction	Satisfaction with 'my' physical work environment	Via annual Staff Engagement Surveys.	58
	Improved staff tenure	Levels of staff turnover.	Via QLDC HR metrics (monthly).	New Measure
To encourage a diverse, vibrant and resilient town centre	Maintaining professional and creative offices	Number of professional/creative offices in CBD.	Via census data (5-yearly).	New Measure
	Improved community satisfaction	Satisfaction with the town centre.	Via annual Ratepayers & Residents' survey.	New Measure

3.6 Main Risks

Risks result from uncertain events that either improve or undermine the achievement of benefits. The main risks that might create, enhance, prevent, degrade, accelerate or delay the achievement of the investment objectives are identified and analysed below.

Table 5: Initial risk analysis

Main Risks	Consequence (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Low level of political and community appetite/support	High	Medium	Create a good communications plan and roll it out early.
Scope management	Medium	Medium	Use BBC and develop a workplace strategy.
Funding availability	High	Medium	Develop strong strategic case.
Staff attrition	Medium	Medium	Staff engagement plan.
Poor project management	High	Medium	Engage a dedicated project manager.
Poor governance	High	Medium	PCG and external support.
Deliverability	Medium	Low	Use BBC with good optioneering.

Main Risks	Consequence (H/M/L)	Likelihood (H/M/L)	Comments and Risk Management Strategies
Internal capacity to deliver	Medium	Medium	Use external support.
Capability to deliver	Medium	Medium	Use external support.
Market conditions change	Medium	Low	Develop a procurement plan.
Reputation	Medium	Low	Develop communication and engagement plan.
LGA reform	High	Medium	Develop a business case that will stand up in any environment.

A further, more detailed risk assessment was undertaken as part of the Town Centre Master Plan project and those risks identified for Project Connect are shown below.

Table 6: Project Connect Risks from Town Centre Master Plan Risk Workshop

Causal Factor – Probable Cause	Consequence	Mitigation in place	Intended Mitigation
Risk Event – Description	Perception that the timing of funding could impact the application for Central Government’s support for the Masterplan Project		
<ul style="list-style-type: none"> ▪ Pressure on Council funds to deliver the whole programme. ▪ Staging may undermine the programme. ▪ Deferring Project Connect may impact the Masterplan programme. 	<ul style="list-style-type: none"> ▪ Central Government pressure to defer Project Connect. ▪ Lack of political support. ▪ Deferral of Project Connect results in space shortage for Council staff if arterial progress earlier. 	<ul style="list-style-type: none"> ▪ Engaged economic expert to evaluate local, regional and national benefits of wider masterplan projects to support funding options (including Central Government lobbyist). ▪ Community engagement underway. ▪ Options include an alternative option for Private Sector to deliver solution. ▪ Long list options include Frankton. 	<ul style="list-style-type: none"> ▪ Consider interim option to house approx. 65 staff, Council chambers and library in CBD or Frankton. ▪ Develop and implement a communications plan for Project Connect specifically. ▪ Further analyse option for private sector delivery.

Causal Factor – Probable Cause	Consequence	Mitigation in place	Intended Mitigation
Risk Event – Description	Risk of legal challenge to decision to locate office in CBD		
<ul style="list-style-type: none"> Stakeholders own commercial interests. 	<ul style="list-style-type: none"> Legal costs Delay Community complaints and negative media 	<p>Legal advice received regarding whether Frankton should be considered</p>	<p>Target a delivery solution that is as cost neutral as possible</p>
Risk Event – Description	There is a threat that underlying landownership and related designations precludes use of preferred land activities.		
<ul style="list-style-type: none"> Legal ramifications of land ownership (tenure). Failure to understand the underlying restrictions/opportunities of the land use 	<ul style="list-style-type: none"> The preferred option is not feasible. Best location for offices is not provided. Loss of integration with other spatial plan elements Delay to the programme. 	<p>Review of ownership and legal implications completed.</p>	<p>Detailed review of masterplan with public engagement results to be completed to understand uses of site, ownership implications and delivery approach.</p>
Risk Event – Description	There is a threat that the delivery of the project is constrained by the timing/delivery of the other Masterplan projects.		
<ul style="list-style-type: none"> Delays in consenting of other Projects. Design issues. Landowner issues (compulsory purchase). Existing use rights. Failure to create an integrated programme of works. Funding issues. 	<ul style="list-style-type: none"> Project delays. Ongoing impact on QLDC staff. 	<p>Constraints and dependencies being identified and managed through the Masterplan PBC</p>	<p>Identifying a site with delivery independence.</p>
Risk Event – Description	There is a threat that the size of the preferred option doesn't adequately allow for growth/change.		
<ul style="list-style-type: none"> We have not understood how people will work in the future (technology, staff culture.) FTE growth projections are not correctly anticipated. Work place strategy does not anticipate adequate technology changes. Organisational change – more in-house delivery 	<ul style="list-style-type: none"> A space which does not meet the future needs of the organisation. Unbudgeted future accommodation costs. 	<ul style="list-style-type: none"> Allowing for significant FTE growth. Following Central Government Workplace Standards and Guidelines for office space 	<p>Developing a workplace strategy</p>

Causal Factor – Probable Cause	Consequence	Mitigation in place	Intended Mitigation
Risk Event – Description	There is a threat the project may be compromised by competing workload demands.		
<ul style="list-style-type: none"> A large number of projects inside and outside of Queenstown. There are not enough consultants and contractors in the region. Key staff are operating under pressure 	<ul style="list-style-type: none"> Project delay. Higher cost of labour if labour is required to be sourced from other regions. Compromised outcomes – benefits not realised 	Early engagement with the private sector	<ul style="list-style-type: none"> Further analyse option for private sector delivery. Dedicated project manager.
Risk Event – Description	There is a threat that the funding for Project Connect is not perceived as a priority by the public.		
<ul style="list-style-type: none"> Scope is decreased through the design phase. Community appetite for Project Connect sways political appetite for build solution Private sector funding cannot be secured. 	<ul style="list-style-type: none"> The preferred option does not meet with community approval. Public perception of unnecessary use of rate payer funding. Funding is not approved for Project Connect. Impact on QLDC staff. 	<ul style="list-style-type: none"> Early engagement with the private sector. Community engagement through the Masterplan Ongoing briefings to elected members. 	<ul style="list-style-type: none"> Further analyse option for private sector delivery. Develop and implement a communications plan for Project Connect specifically
Risk Event – Description	There is a threat that the build cost increases beyond the original budget.		
<ul style="list-style-type: none"> The cost of building has increased. Scope creep impacts our ability to deliver. 	<ul style="list-style-type: none"> Missed opportunities. Perceived unnecessary use of ratepayer funding. Reputational damage 	<ul style="list-style-type: none"> Robust project management Quantity surveyor engaged to provide estimates 	Further analyse option for private sector delivery (sharing this risk with them)

A risk register has been developed and will be progressively updated as more detailed analysis is undertaken.

Key Constraints and Dependencies

The proposal is subject to the following constraints and dependencies. These dependencies will be carefully monitored during the project.

With leases expiring on 30 September 2020 it is proposed to target a move in date, to any new accommodation, of 1 October 2020.

Table 7: Key constraints and dependencies

Constraints	Notes
Budget ready for LTP	Scope of project and estimated costs to be finalised in the next few months so that they can be included in Council's LTP.
Leases – roll over dates / break clauses	Colliers International Queenstown recommended that the development of a new office accommodation solution, be available for occupation by October 2018. This coincides with the opportunity to exit existing lease agreements at no penalty cost. Final lease expiries are aligned to 30/09/2020.
Financial strategy	Council is constrained by their financial strategy and their audit against this.
Consultation timeframes	The project must work within statutory consultation requirements.
Geography - accessibility	Easy access to services is an important part of the new site's success. Without adequate travel options to and from Council's one point of contact, its primary purpose of engaging with the community will be frustrated.
Dependencies	Notes and Management Strategies
Town centre masterplan	The masterplan is currently being developed. Its most ambitious programme option includes the development of a 'community heart' that supports and represents the local community. The vision for this includes performing/visual arts, conference facilities, a hall, and a library, all in the Queenstown CBD.
Library plan (relocations)	Council has shifted its thinking to respond to unprecedented growth and a public desire for improved library services in Queenstown CBD and Frankton which differs from the 2014 Library Strategy.

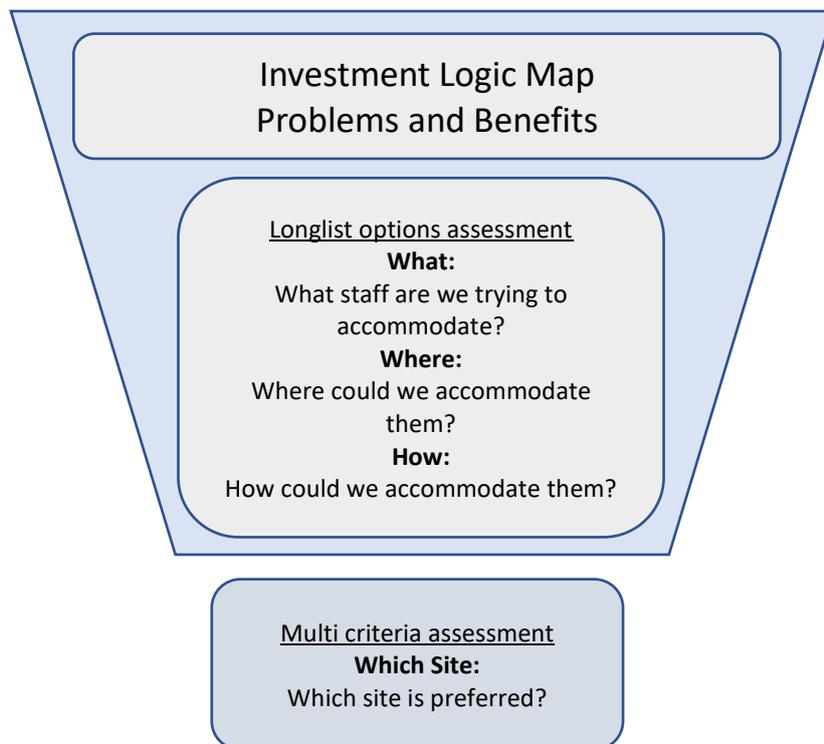
4 Economic Case – Exploring the Preferred Way Forward

The purpose of the economic case is to identify the investment option that optimises value for money. Having determined the strategic context for the investment proposal and established a robust case for change, this part of the economic case:

- identifies critical success factors
- generates a wide range of long-list options
- undertakes an initial options assessment to identify a limited number of short-listed options, and
- identifies a preferred way forward based on the short-listed options.

The following figure summarises the process that was followed to generate a wide range of options and narrow these down to a preferred site for accommodating Queenstown based QLDC staff.

Figure 7: Process overview



4.1 Critical Success Factors

When assessing options, they were firstly evaluated against how well they delivered on the investment objectives and then secondly on key critical success factors which broadly cover the 5 business case sections: strategic; economic; commercial; financial; and management. These were further defined for this project as outlined below.

Table 8: Critical success factors

Generic Critical Success Factors	Broad Description	Proposal-Specific Critical Success Factors
Strategic fit and business needs	How well the option meets the agreed investment objectives, related business needs and service requirements, and integrates with other strategies, programmes and projects.	Alignment with District Plan, Town Centre Strategy, Library Review, Workplace Strategy, Masterplan Framework, Emergency Management & Business Continuity.
Potential value for money	How well the option optimises value for money (i.e. the optimal mix of potential benefits, costs and risks).	High level assessment of whether this is the right solution, at the right time and at the right price.
Supplier capacity and capability	How well the option matches the ability of potential suppliers to deliver the required services, and is likely to result in a sustainable arrangement that optimises value for money.	Is this a sustainable arrangement, considering Council owned land and security of tenure?
Potential affordability	How well the option can be met from likely available funding, and matches other funding constraints.	Affordability for ratepayers and the resulting political appetite.
Potential achievability	How well the option is likely to be delivered given the organisations ability to respond to the changes required, and matches the level of available skills required for successful delivery.	Ability and skills to deliver considering land acquisition, consenting and staff engagement.

4.2 Longlist Options Assessment

The PCG worked through a wide range of options using the process outlined above and evaluated these against the investment objectives and critical success factors. This resulted in the following option being identified as the preferred way forward:

- All Queenstown Central Business District (CBD) staff and Elected Members (EM) to be accommodated.
- In the Queenstown CBD.
- Moving into one new building.

Should a suitable site and/or building not be identified in the CBD (this includes the Lakeview option) then it was agreed that looking at a wider Queenstown Bay or split office solution between Queenstown CBD and Frankton would also be possible. However, as there was a strong case for accommodating everyone under one roof and retaining a civic presence in the CBD, it was not considered necessary to progress these secondary options any further, at this stage. It should be noted in regards to Frankton that In February 2016 the Council considered a report on office space for Council staff as outlined. The Colliers Report considers a number of locations in Frankton and the Queenstown CBD, recognising benefits and drawbacks for both Frankton and CBD sites, before ultimately recommending the CBD as the best option.

The February Report appropriately referred to the Queenstown Town Centre Strategy 2009. The Town Centre Strategy’s vision statement refers to Queenstown’s town centre being the thriving civic heart of Queenstown. One of the objectives of the Town Centre Strategy is that the town centre retains key civic and community functions that underpin its relevance to the local community.

The February Report identifies two options for assessment under s77 of the LGA: doing nothing, or developing ‘one office’ accommodation in the Queenstown CBD. It is evident that a Frankton location,

although referred to in the preceding sections of the report, was not considered a ‘reasonably practicable option’ and was therefore not considered under s77.

Table 9: Summary of longlist options assessment

Dimension	Do Minimum	Intermediate			Bigger Change	
What: What staff are we trying to accommodate?	Status Quo - Do Nothing	Some Queenstown CBD staff / Elected Members	All Queenstown CBD staff / Elected Members	All Queenstown CBD staff / Elected Members + other organisations	All Queenstown staff / Elected Members	
	Continued for VFM	Discount	Preferred	Possible	Discount	
Where: Where could we accommodate them?	Status Quo – Queenstown CBD	Wider Queenstown Bay	Queenstown CBD + Frankton	Frankton		
		Preferred	Possible	Possible	Discount	
How: How could we accommodate them?	Improvements to existing building/s	Consolidate to two existing buildings	Consolidate to one existing building	Existing building/s + new building/s	Move to multiple new buildings	Move to one new building
	Discount	Discount	Discount	Possible	Possible	Preferred

Discounted Options

During the longlist options assessment, several options within each dimension were discounted, the following table summarises the key justification for the discounting of these options.

Table 10: Discounted options summary

Dimension	Option	Key reasons for discounting each option
What: What staff are we trying to accommodate?	Some Queenstown CBD staff / Elected Members	Only improving the accommodation arrangements for part of the organisation was considered to not significantly address the staff culture, satisfaction and retention problems. In fact, it may even be detrimental.
	All Queenstown staff / Elected Members	Impractical to include all field and venue staff. i.e. horticulture team, QEC staff etc.
Where: Where could we accommodate them?	Frankton	Relocating the office to Frankton would contravene the 2009 Town Centre Strategy, 2017 Queenstown Downtown Commercial Strategy and 2017 Queenstown Town Centre Masterplan, all of which support the QLDC offices being in the town centre to encourage a diverse, vibrant and resilient town centre.

How: How could we accommodate them?	Improvements to existing building/s	This option failed on the value for money assessment as it is a relatively expensive option that does not address the underlying problems of geographic separation between offices and the lack of security of tenure.
	Consolidate to two existing buildings	Again, this option does little to address the geographic separation of offices and the security of tenure. The business needs (floor area required) are also unlikely to be met by this option.
	Consolidate to one existing building	Since the Gorge Road office cannot meet the business needs (floor area required) then this option failed on the security of tenure requirement. It is also unlikely that any of the existing leased offices can meet the business needs on their own accord.

4.3 The Shortlisted Options

Status Quo – Do Nothing Option

Description

Assumes that no change is made and Queenstown based staff and elected members continue to operate in their current accommodation. This includes the three main offices (Gorge Road, Shotover Street and Church Street) along with the Stanley Street office. See Figure 4 for their location and current number of desks and people.

Advantages

The main advantages to this option are:

- No disruption to staff and customers.
- Leaves financial headroom for other council priorities.

Disadvantages

The main disadvantages of this option are:

- No improvement in the effective and efficient delivery of services.
- No improvement in staff culture, satisfaction and retention.
- Lost opportunity to create a community heart and encourage a diverse, vibrant and resilient town centre.
- Limited security in tenure of current leased accommodation at Church Street and Shotover Street.

Do Minimum Option - Consolidation

Description

This option assumes that all the Queenstown CBD based staff and elected members are considered in the scope. It also assumes that they should be located in the CBD as per the status quo. However, the do minimum option is accommodating these people in a consolidated mix of existing and new buildings. For example, this option could see one office being retained and a new office building accommodating the remainder of staff.

Advantages

The main advantages to this option are:

- Limited disruption to staff and customers.
- May leave more financial headroom for other council priorities.
- Can focus in on key areas of the organization that are most in need of change.

Disadvantages

The main disadvantages of this option are:

- Limited improvement in the effective and efficient delivery of services.
- Limited improvement in staff culture, satisfaction and retention.
- Lost opportunity to create a community heart and encourage a diverse, vibrant and resilient town centre.
- Could potentially create more tension affecting staff satisfaction levels.

Less Ambitious – Wider Queenstown Bay One Office

Description

This option assumes that all the Queenstown CBD based staff and elected members are considered in the scope. It assumes that they could be located outside of the CBD in the wider Queenstown Bay area in a new building. This option is considered a fall-back position should a suitable site not be identified in the preferred CBD location for all staff and elected members.

Advantages

The main advantages to this option are:

- Potential availability of more sites of sufficient size to accommodate QLDC’s requirements.
- Improvement in the effective and efficient delivery of services through accommodating all staff in one office.
- Improved staff culture, satisfaction and retention expected through improved facilities and a more effective and efficient way of working.

Disadvantages

The main disadvantages of this option are:

- Lost opportunity to create a community heart and encourage a diverse, vibrant and resilient town centre.
- Reduced opportunity to efficiently connect with other commercial activities in the town centre.
- Reduced opportunity to efficiently connect with key transport initiatives, such as arterials, public transport and parking.

Less Ambitious – Split CBD and Frankton Offices

Description

This option assumes that all the Queenstown CBD based staff and elected members are considered in the scope. It assumes that the accommodation requirements could be met by splitting the staff between the CBD and Frankton based on requirements. This would obviously mean a new building is required in Frankton, but offices could be consolidated in the CBD or moved into a new building. This option is considered a fall-back position should a suitable site not be identified in the preferred CBD location for all staff and elected members.

Advantages

The main advantages to this option are:

- Potential availability of more sites of sufficient size to accommodate QLDC’s requirements.
- Staff and departments can be in the best location to meet their requirements.
- Potentially a lower cost solution.

Disadvantages

The main disadvantages of this option are:

- Reduced opportunity to create a community heart and encourage a diverse, vibrant and resilient town centre.

- Reduced opportunity to efficiently connect with other commercial activities in the town centre.
- Reduced opportunity to improve on the effective and efficient service delivery to its internal and external customers.

Preferred – CBD One Office

Description

This option assumes that all the Queenstown CBD based staff and elected members are considered in the scope. It assumes that they would be accommodated in one office located in the CBD. This would mean a new building is required.

Advantages

The main advantages to this option are:

- Improvement in the effective and efficient delivery of services through accommodating all staff in one office.
- Improved staff culture, satisfaction and retention expected through improved facilities and a more effective and efficient way of working.
- Improved opportunity to create a community heart and encourage a diverse, vibrant and resilient town centre.

Disadvantages

The main disadvantages of this option are:

- Limited availability of sites of sufficient size to accommodate QLDC's requirements.
- Higher land values and development costs associated with a CBD location.
- Higher transportation and parking costs for staff and visitors to a CBD location.

More Ambitious – CBD One Office + Other Tenants/Activities

Description

This option assumes that all the Queenstown CBD based staff and elected members are considered in the scope along with other tenants and/or activities, such as a library, that could co-locate with QLDC on a temporary basis, making way for growth over time, or permanently. It assumes that they would be accommodated in one office located in the CBD. This would mean a new building is required of a larger footprint than the preferred option.

Advantages

The main advantages to this option are:

- Improvement in the effective and efficient delivery of services through accommodating all staff in one office.
- Improved staff culture, satisfaction and retention expected through improved facilities and a more effective and efficient way of working.
- Improved opportunity to create a community heart and encourage a diverse, vibrant and resilient town centre.
- Future proofing to enable more growth in QLDC staff numbers into the future.
- Creating a livelier, more engaging and welcoming work environment.

Disadvantages

The main disadvantages of this option are:

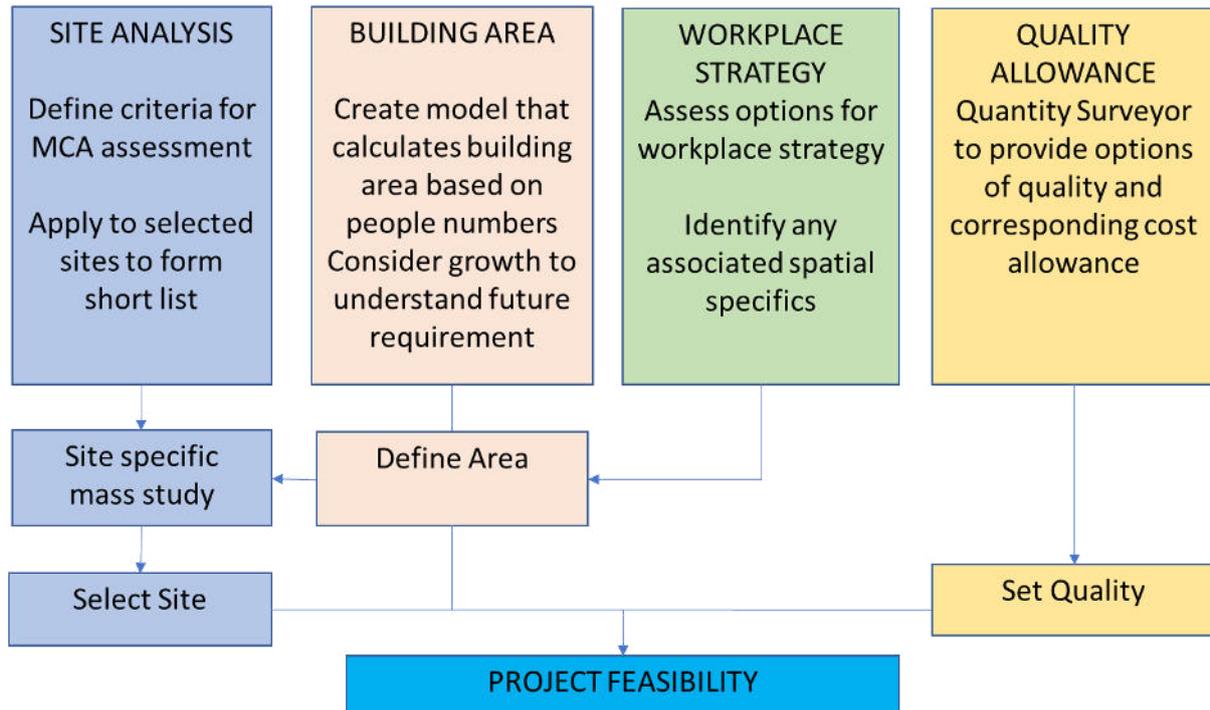
- Limited availability of sites of sufficient size to accommodate QLDC's requirements.
- Higher land values and development costs associated with a CBD location.
- Higher transportation and parking costs for staff and visitors to a CBD location.

- More complication in identifying, accommodating and ongoing management of other tenants and activities.

4.4 Selecting the Preferred Site

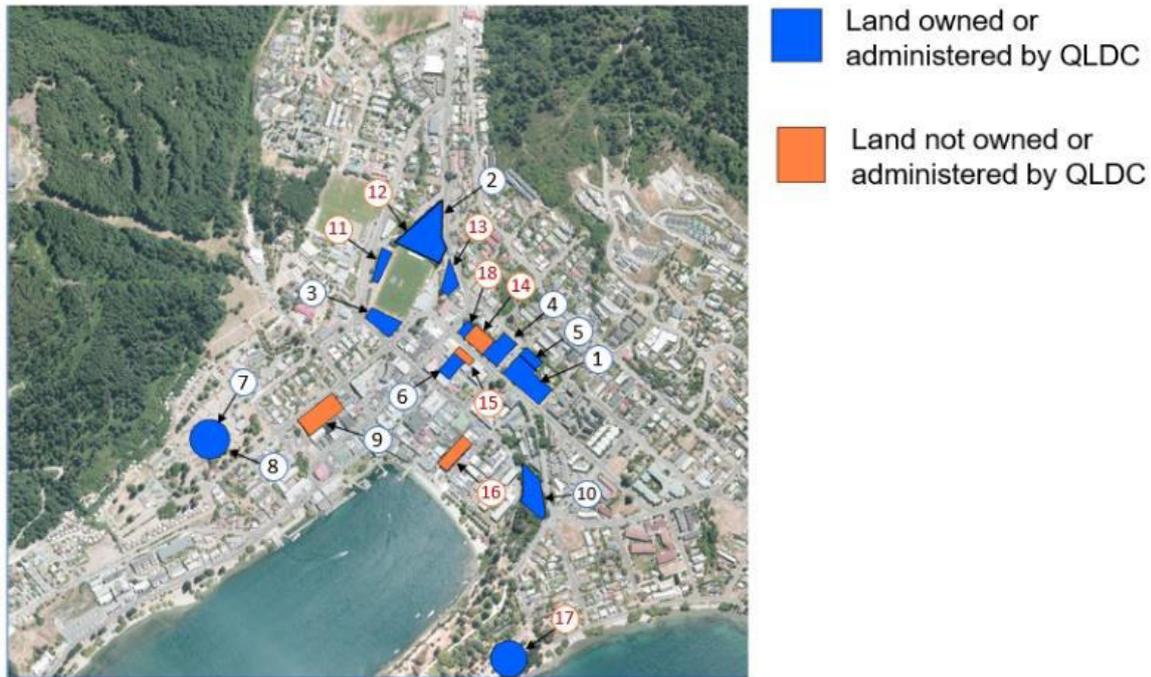
The clear political and strategic mandate informed the determination to locate one office in the CBD, therefore the way forward was agreed by the PCG to focus on finding a suitable site in the CBD, which met the ‘council-owned’ preference as per the resolution of 26 November 2015. If a suitable site could not be identified, then further investigation would be undertaken on the other shortlisted options.

Figure 8: Project feasibility process



The consultant team engaged for the Queenstown Town Centre Masterplan were briefed on helping to identify potential sites in the CBD and evaluating their suitability against a range of different assessment criteria. They identified the following sites as potentials for evaluation.

Figure 9: Site options within the Queenstown CBD



Building Area

One of the first filters applied to the potential sites was:

- Can it accommodate current and future staff numbers?

The Central Government Workplace Standards and Guidelines (CGWSG) for office space recommend an occupancy density goal of between 12m² and 16m² per full time equivalent (FTE). These guidelines have been used to define the building area required for QLDC’s needs. Please note that the business case will need to reflect a review of the CGWSG in 2017 with occupancy density set to reduce to 14m². Council will want to review the floor space requirement on this basis and in line with the development of the Work Place Strategy which is likely to point towards more flexible working solutions and this is anticipated by 2030.

Table 11: Floor area requirements

Year	FTEs	Occupancy Density (m ² /FTE)	Floor Area Required (m ²)	Council Chambers (m ²)	Total Area Required (m ²)
2017	210*	16	3,360	150	3,510
2020	250	16	4,000	150	4,150
2030	330	12	3,960	150	4,110

*210 FTE at Queenstown does not reflect current vacancies

It was agreed with the PCG on 8 May to work on a building area of 4,150 m² for the site analysis. This would be sufficient to cater for 2020 projected growth at a density of 16 m²/FTE and allow for growth beyond that, to around 330 FTEs, through a revised workplace strategy that targeted a density of 12 m²/FTE.

Best practise suggests fewer but larger floors reduce the duplication of infrastructure that is characteristic of sites with multiple small floor plates. Therefore, it was agreed that the preferred site should be able to accommodate the area required over a maximum of two floors.

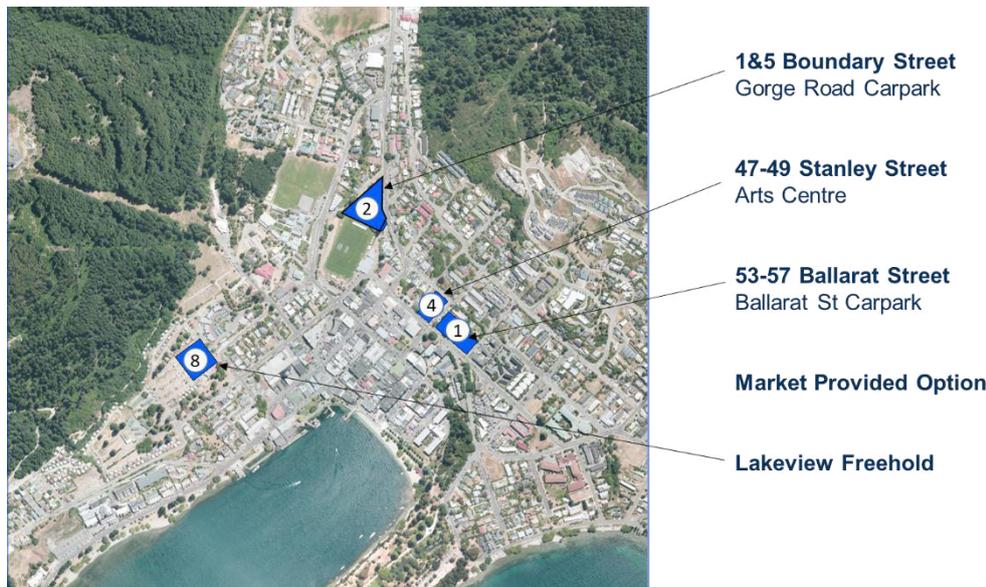
Path to Use

To enable the targeted move in date to be achievable the land use planning requirements (path to use) will need to be quick and efficient. Those sites requiring difficult changes to use through the Reserves Act, because of their current reserves status, have been discounted from further evaluation.

Shortlisted Sites

The potential sites identified in Figure 9 were narrowed down on the building size and path to use requirements discussed above to arrive at the following shortlist of sites for detailed assessment.

Figure 10: Shortlisted sites within the Queenstown CBD



Multi Criteria Assessment

The shortlisted sites were then evaluated against several business need considerations, implementability/risk factors, time and costs. This assessment highlighted that all the options performed well in some areas but had different strengths and weaknesses, making it hard to pick a clear winner. The full assessment can be found in Appendix 3.

Table 12: Summary of multi criteria assessment

Criteria	Option 1 Ballarat St Carpark	Option 2 Gorge Rd Carpark	Option 4 Arts Centre	Option 8 Lakeview Freehold
Benefits Delivered	100%	94%	100%	100%
Land Value (\$/m²)	\$2,500.00	\$350.00	\$1,920.00	\$1,270.00
Site Coverage	50%	79%	82%	53%
Land Use Potential	Poor (Difficult)	Good (Easy)	Poor (Difficult)	Good (Easy)
Time to Consent	1-3 yrs	1 yr	1-3 yrs	2 yrs
Spatial Framework Fit	Good	Poor	Good	Poor
Accessibility/connection	Good	Good	Good	Poor
Disruption to community activities	Neutral	Neutral	High	Neutral
Rank	1	2	4	2

Town Centre Masterplan – Creating a Community Heart

These sites were fed into the Queenstown Town Centre Masterplan project to check which one had the best alignment with the overall vision for the Town Centre.

The idea of re-establishing a community heart has come through strongly, both through the project work and the early community engagement where QLDC were told that more community and cultural activities are needed in town. Queenstown has a rich history but doesn't tell its local stories. Historically, the Council offices and library were located on Stanley Street - a shift back to that location provides a strong connection to our past. This is a key reason that a Stanley Street site is preferred for Project Connect and the community heart.

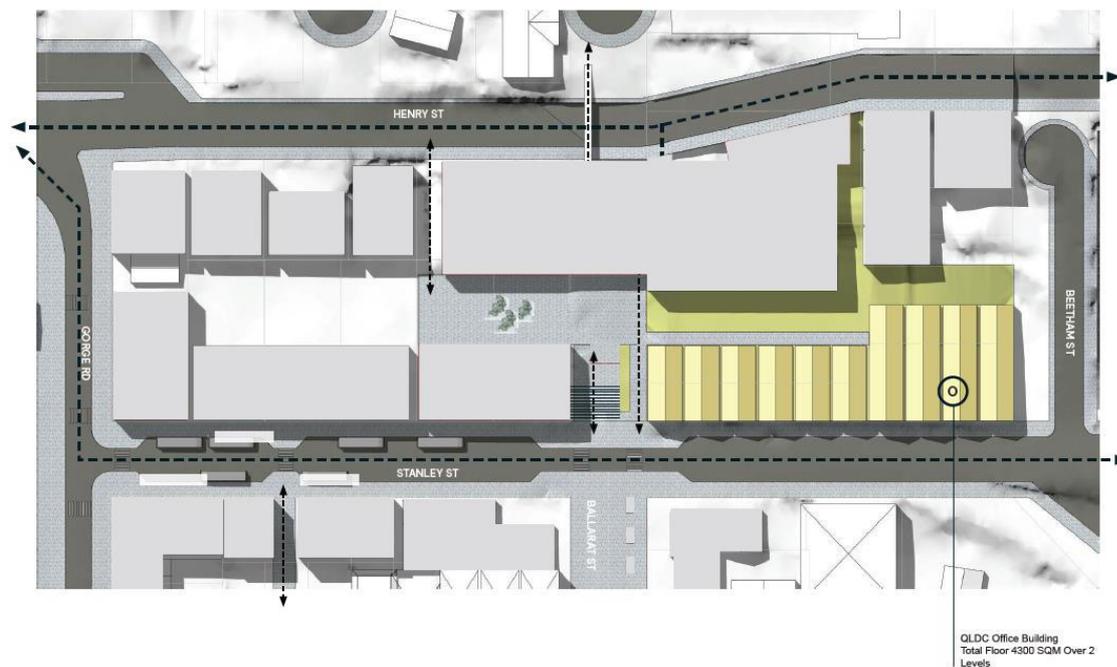
Another concept that is being developed in the masterplan is that of 'active frontages', defined as street frontages where there is an active visual engagement between those in the street and those on the ground floors of buildings. This suggests that the ground floor of Project Connect would be better for public access community space.

The following site plan shows a potential future layout for the community heart with a potential location for Project Connect shown in yellow.

Figure 11: Site Planning - Community Heart

QUEENSTOWN
TOWN CENTRE

QUEENSTOWN
LAKES DISTRICT
COUNCIL



4.5 The Preferred Way Forward

Of the two sites in the proposed community heart, options 1 and 4, Option 1 – Ballarat St Carpark is considered the easiest to develop, has the strongest connections with the civic access and good opportunities to co-locate with a proposed parking building.

With a preferred site now identified, consideration needs to be made for what quality of build is required to meet the business needs and community expectations.

A quantity surveyor was engaged to develop a generic cost model around two build options on the Ballarat St Carpark.

1. Office building only of 4,150 m² (gross floor area).
2. Office building of 4,150 m² (gross floor area) and 83 car park spaces.

The district plan requires 1 car park for every 50 m² which equates to the 83 car parks for an office of 4,150 m². With the opportunity to co-locate with a new parking building it was considered appropriate to understand the difference between building the required car parks or leasing them from the new parking building.

The cost model provided 'order of costs' with a range from low, medium and high order costs. These are summarised below.

Table 13: Summary of build quality options

Components	Low	Medium	Med-High	High
Build costs	\$19,910,000	\$22,920,000	\$26,620,000	\$28,970,000
Build costs (\$/m²)	\$4,800	\$5,500	\$6,400	\$7,000
Car parking	\$0	\$340,000	\$340,000	\$5,060,000
Other costs (site works, escalation, fees, contingency)	\$8,810,000	\$10,320,000	\$12,520,000	\$14,980,000
Total cost	\$28,720,000	\$33,580,000	\$39,480,000	\$49,010,000

Adopting the high estimate should reduce the risk of budget overruns and help improve the chances of successfully delivering on the key benefits being sought. However, it does run the risk of being seen by ratepayers as extravagant expenditure and unnecessary. Should concessions be necessary, then it was agreed by the PCG that the level of fit out and sustainability rating are the two areas where compromise is most willing to be made. It is also considered unnecessary to provide parking as part of this project when council is also considering providing parking buildings in this location, from which spaces could be leased.

Being a project with such a long-term outcome it is considered important to "do it once and do it right", hence a budget in the range of \$40m - \$50m is preferred. A final budget of \$41.5m has been included in the draft 2018 10 Year Plan. The full assessment of the build quality options is included in Appendix 4.

It should be noted that the above options are based on an office building only split over two floors. To incorporate the 'active frontage' concept a third floor could be added with the ground floor being used for public access community space. An obvious choice for public access community space is the incorporation of a public library.

Library Options

For many, the library is an integral part of their community. As such, the role and position of a library in the Queenstown CBD will be considered closely in the process of creating a community heart.

With the rapid digitalisation of life as we know it, there is uncertainty over what the community might require of its library in 5, 10, 20 or 50 years' time. Therefore, QLDC is focussing initially on an up to 5-year temporary plan for library services for Frankton and Queenstown, which keeps long-term options flexible. This would also give time for the demand of a library hub in Frankton to be assessed alongside the needs of Queenstown CBD.

Options for library services may include keeping the status quo and having the Queenstown Library remain at its current site in (Gorge Road), or re-locating to a temporary or permanent new location. In summary, the initial options are:

1. Remain at Gorge Road site (status quo)
2. Incorporate within Project Connect (existing building plans).
3. Incorporate within Project Connect (extended building plans).
4. Move to a space outside Project Connect.

Remain at Gorge Road site

The viability of this option will depend largely on how changes to town centre arterials impact the site. It may be that the new roading layout runs through the Gorge Road building, which would need to be demolished to make room.

Advantages

- Retaining of existing services.
- Potential for expansion into vacated office space.
- Low cost solution.

Disadvantages

- Risk that the Gorge Road building will be demolished to make way for the new arterials.
- Lost opportunity of property sale through disposal of the Gorge Road property.

Incorporate within Project Connect (existing building plans)

Combining council chambers alongside library services on the ground floor of Project Connect would lead to a library floor area of around 650 m² (Project Connect has a proposed floor area of 4,150 m²). Office demand projections for QLDC suggest that the current building plans would be sufficient to house the library for up to 3 years where a workplace strategy based around 12 m²/FTE is used. See the summary table below.

Library size	@16 m ² /FTE	@14 m ² /FTE	@12 m ² /FTE
750m ²	0 yr	0 yr	< 2 yrs
650m ²	0 yr	0 yr	< 3 yrs
550m ²	0 yr	0 yr	< 4 yrs
450m ²	0 yr	0 yr	< 5 yrs

For this option, the ‘base build’ costs/rates are expected to be about the same (or very similar) for a library space versus an office space. The cost difference would lie primarily within the ‘fit out’ works. Typically, a library fit out is more expensive than an office due to the need for enhanced acoustics and greater internal decorative features, as well as a generally higher specification of services, primarily driven to meet acoustic requirements. The cost premium to go from an office space to a library space is estimated to be an extra \$500/m². Any cost uplift to accommodate a library within the office building also needs to capture additional project ‘on costs’ i.e. consultant fees, building consent costs, contingencies and market escalation. These are all percentage calculations that can be added to the ‘base’ construction cost.

The cost uplift to accommodate a library within the proposed footprint could be up to an additional \$0.4m.

Advantages

- Efficient use of space, allowed for office growth, in the short-term.
- Provides an active community frontage to Project Connect in the short-term.
- Enables disposal of the Gorge Road property and the resulting revenue.
- Low cost solution.

Disadvantages

- Risk that the office growth will occur before a permanent library solution is provided.
- Limited flexibility of future use unless office growth does not eventuate.

Incorporate within Project Connect (extended building plans)

Extending the proposed floor area to accommodate a library has been checked with the architects and an addition of around 650m² is achievable with little impact on the proposed ‘bulk and form’ location on the Ballarat St carpark site.

As with the above option, a cost premium of \$500/m² has been advised by the quantity surveyor over that for an office build. This suggests that the cost of adding 650 m² for a library space could be up to an additional \$4.2m.

If, after the first few years, the space is no longer required to contain library services, the area could:

- support other community uses
- be used for office expansion

Advantages

- Provides an active community frontage to Project Connect.
- Enables disposal of the Gorge Road property and the resulting revenue.
- Has the flexibility of being used for other purposes once a permanent library solution is determined.

Disadvantages

- Higher cost solution.

Move to a space outside Project Connect

To ensure a full suite of options is considered, for a possible short-term library solution in the town centre, it is important to consider other council properties that could be repurposed. One option that may be worth investigating further is 44 Stanley Street. This site is directly opposite the preferred Project Connect site (Ballarat St carpark) so has great connection to the civic axis and community heart concepts from the town centre masterplan.

Advantages

- Enables disposal of the Gorge Road property and the resulting revenue.
- Has the flexibility of being used for other purposes once a permanent library solution is determined.
- Low cost solution.

Disadvantages

- Constrained by the existing building design.
- Existing occupants would need to be re-accommodated elsewhere.

5 Outlining the Commercial Case

5.1 The Deal – What we need to buy/fund

To progress this project forward, a detailed business case is proposed that will further develop the preferred solution in the following areas:

- Incorporation of new workplace strategy
- Evaluation of co-location opportunities – including a library and parking.
- Concept designs
- Commercial/Financial/Management cases

To support the development of the detailed business case and ensure it is a robust piece of work it is recommended that the following professional services are engaged.

- Legal services – to confirm the path to use options and preferred way forward.
- Planning services – to understand and plan for resource consent application.
- Design services
 - Concept Design – lodge Project Information Memorandum (PIM) to establish if resource consent is required.

Following completion of the detailed business case and approval from decision makers to proceed the following services will be required.

- Legal services – it is expected that legal services will be required for land negotiations or challenges to land use.
- Design services
 - Preliminary Design – lodge for resource consent (if required).
 - Developed Design – documentation for tender and building consent
- Construction contractor

5.2 Procurement strategy

The procurement strategy can be discussed in two phases.

The first phase is to support the development of more detailed information to progress Project Connect to a point where QLDC can engage with the market. This first phase can follow Council's standard procurement processes, with agreed set of skills and services to be procured, as required. The following principles are proposed to guide this phase:

- Move forward at pace – favours continuing with the existing project team.
- Maximise benefits in a manner that minimizes risk to ratepayers (opportunity cost, cost neutral) – a commercial team assembled by QLDC would play a key role in considering joint venture options against traditional delivery and helping the Council to connect with the right capability in the market. An All of Government (AoG) suppliers panel exists with expertise in this area that could be used to provide services to council. Should include consideration of design, build, own, operate and transfer options.

The second phase will be to approach the market.

- Procurement strategy to be developed with commercial team once preferred delivery method has been determined.

5.3 Consenting strategy

The consenting strategy will need to be developed in coordination with the QLDC commercial team and the preferred delivery method. Key principles to be considered are:

- Land use to fit within existing Reserves Act provisions.

- Architects to lead building consent application.
- Panel suppliers to be used for resource consent application.

The preliminary planning assessment for the preferred site is included in the Project Connect Summary Report from Assembly Architects Ltd (Appendix 5).

5.4 Property acquisition strategy

QLDC currently administers the land under the Reserves Act as local purpose reserve (site for community centre and carparking). The land will continue to be used for these purposes with the inclusion of carparking and a library strengthening the administration of this site for community use. However, it will be necessary to amend the purpose to incorporate other, more general, community uses.

5.5 Implementation and contract management

With the desire to 'move forward with pace', it is proposed that design is progressed as soon as possible. However, it would be disingenuous to commence design work in detail before consultation is undertaken via the 2018 QLDC 10 Year Plan.

It is also proposed that a dedicated project manager is engaged to driver this project forward at pace.

6 Outlining the Financial Case

6.1 Indicative costs

Existing costs

The following table outlines the existing operating budgets for all Council Offices. The majority of this is made up of the Queenstown office buildings.

Table 14: Existing operating budgets for council offices

149 – Council Offices	2017/18
Depreciation + interest	130,293
Lease payments	654,484
Operational costs	441,374
	1,226,152

At this indicative stage, the following assumptions have been made in the financial analysis.

- The above depreciation + interest and lease payments costs will be avoided/replaced going forward with a new one office solution.
- These costs are representative of the Queenstown costs and those attributable to other areas haven't been removed.

Impact on financial statements

Two indicative financial models have been prepared. The first assumes that a traditional delivery method is adopted and QLDC build and fund the office from debt.

Table 15: Indicative financial analysis - Council Build

Year	1	2	3	4	5	Yrs 0-10
	2018/19	2019/20	2020/21	2021/22	2022/23	Total
Preferred Way Forward: Council Build						
Capital	5,729,000	21,434,000	14,289,000	0	0	41,452,000
Operating	0	286,000	1,358,000	3,128,000	3,128,000	23,540,000
Funded by:						
Existing Opex	0	0	0	1,226,000	1,226,000	8,582,000
Existing Capital				9,300,000		9,300,000
Extra Revenue	0	286,000	1,358,000	1,902,000	1,902,000	14,958,000
Extra Capital	5,729,000	21,434,000	14,289,000	-9,300,000	0	32,152,000

Key assumptions in this modelling are:

- Land receipts from Gorge Road at \$9.3m.
- Interest rate of 5% p.a.
- The operational costs are assumed to be \$503k p.a.
- Straight line depreciation based on a standard life of 75 years.
- No allowance for a new library.

Indicative modelling shows a negative Net Present Value (NPV) of around \$18.3m.. However, it is generally agreed that council due to its low cost of capital and the absence of any margins for return on investment can deliver a new office building at a lower cost than the private sector.

Library costs

Section 4.5 discussed the options of incorporating a library into Project Connect. The costs ranged from \$0.4m to \$4.2m (less if it occupies capacity or more if it is treated as additional space) based on a floor area of around 650m².

Funding of \$5.3m was included in the 2015 10 Year Plan for a Frankton Library in 2020. At the September 2017 council meeting it was agreed to seek Expressions of Interest (EOI) for a potential Frankton Library lease. This may mean that some of the \$5.3m could be redirected towards a Queenstown library facility.

6.2 Options for alternative procurement

The Council-owned funding solution is challenging in the context of the 2018 10 Year Plan in terms of debt loading. Although it is proposed the cost be included, options for alternate funding have been considered.

However, recent accounting advice regarding off balance sheet treatment versus on balance sheet treatment suggests that it may be difficult to structure a funding arrangement for Project Connect on the Ballarat St carpark site that is off balance sheet. Alternate options such as Lakeview (freehold land) however may lend themselves to a joint venture arrangement.

Key issues with alternative procurement options are:

- To ensure council has the security of tenure desired then the likely accounting treatment will require the debt to be recognised on Council's balance sheet.
- The reserve land status of the Ballarat St carpark site weakens Council's negotiation position.
- To ensure council only pays a market rent it is likely that other revenue opportunities (e.g. parking fees) will be necessary to make the investment attractive to the private sector.

Should further pressure come on regarding the overall affordability of the 2018 10 Year Plan then it would be prudent to re-test the market for a market provided solution. It is however expected that a market provided solution does not exist that will satisfy council's key objectives, which can be summarised as:

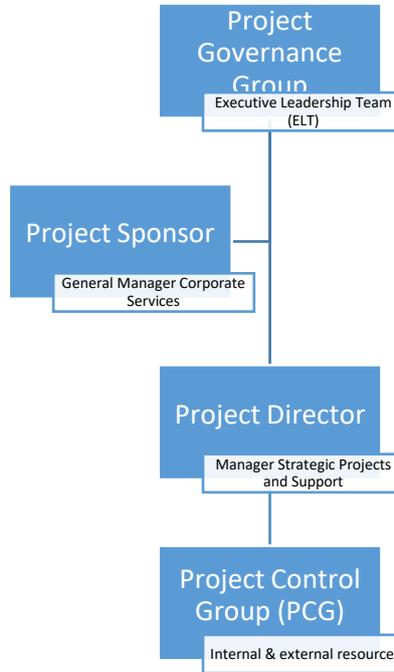
- One office
- Within the Queenstown town centre
- Providing security of tenure

7 Outlining the Management Case

7.1 Governance and reporting

The existing governance and reporting structure, shown below, is proposed to be retained into the next phase of the project.

Figure 12: Governance and reporting structure



7.2 Project management and assurance

If the structure above is used within QLDC, the key governance and management roles, as identified in the organisation structure, are outlined below:

Role	Responsibility
Project Governance Group (PGG)	The Project Governance Group will have a governance role, ensuring that the project is delivered to the required standards and that QLDC reporting requirements are complied with. The PGG is proposed to be comprised of the QLDC Executive Leadership Team (ELT).
QLDC – Project Sponsor	As Project Sponsor, responsibilities include but are not limited to: <ul style="list-style-type: none"> • providing the project’s strategic direction and overview • monitoring progress against the project’s objectives
QLDC – Project Director	As Project Director, responsibilities include but are not limited to: <ul style="list-style-type: none"> • successfully delivering the project • ensuring risk is effectively identified and managed
Project Control Group (PCG)	The Project Control Group will work together to help deliver a successful project and comprises a team with appropriate skills and diversity for this scale of works: Internal:

Role	Responsibility
	<ul style="list-style-type: none"> • Project Sponsor – General Manager Corporate Services • Project Director – Manager Strategic Projects and Support • Members – GM, Property & Infrastructure, Property Manager, Chief Information Officer, Corporate Manager, Financial Advisory Manager, Communications Manager, Corporate Administration <p>External:</p> <ul style="list-style-type: none"> • Architect – Trevor Watt (Athfield Architects) • Business Case Lead – Tom Lucas (Rationale)

For the next phase of the project it is proposed that dedicated project manager is engaged to help drive the project forward at pace. The project manager would report to the PCG.

The following key milestones have been identified:

- Land tenure secured – 2018
- Scope/integration confirmed – 2018
- Delivery model confirmed – 2018
- Programme confirmed – 2018

7.3 Communications and stakeholder management

A formal consultation period is scheduled for March 2018.

As done during the indicative business case development, leveraging governance and stakeholder groups will be a key part of informing and engaging a wide audience, alongside regular main stream updates (such as the QLDC website and monthly newsletter). Key groups to regularly inform and gain guidance from will be:

- District Councilors and Mayor
- QLDC Executive Leadership Team
- QLDC staff
- Iwi
- Disability advisory representatives

Appendix 1 – Issues & Opportunities

QUEENSTOWN LAKES DISTRICT COUNCIL

Improving the delivery of effective and efficient services for the community

Investment Plan for QLDC Accommodation

ISSUES

Initiative

Service Delivery

1. There are multiple (and confusing) points of contact for the public.
2. The fragmented location creates significant management, organisational culture and engagement challenges.
3. The disaggregated service delivery causes significant confusion and frustration to residents who simply view the service provider as "council" whatever structure it operates under.
4. Need for a workplace strategy to improve delivery model for both the community and staff.
5. Need to ensure service delivery models are in step with rapidly advancing technology solutions and smart community expectations
6. Community engagement opportunities within Council structures are limited by space restrictions.
7. Multiple Queenstown sites contribute to increased ICT network cost and complexity

Quality

8. The quality of public and working space is sub-standard.
9. The buildings are below modern office standards in terms of light and energy efficiency, leading to unnecessary costs.
10. A building suitable for accommodating the emergency operation centre and critical records storage requires a higher seismic rating.
11. Technology and community innovations at the library are restricted.
12. Current facilities lack sufficient collaboration, innovation and concentration space.
13. The current accommodation of QLDC fails to deliver on positive brand aspirations (pride of place, effective efficient, professional, can do, resilient etc).
14. The work environment has potential to impact recruitment and retention.
15. There is no suitable engagement or working environment for elected members.
16. The current buildings don't encourage or recognise the need for health and wellbeing ie locker rooms, showers, bike parks etc.
17. Ground level of Shotover Street and Church Street buildings are within the 100 year flood zone – this currently presents a server risk.

Capacity

18. QLDC Office Accommodation at Gorge Road and Shotover Street is currently at capacity.
19. Community, reading and activity spaces limited: still largely a place for storing books.
20. Limited library space and poorly positioned to serve as a community hub.

Town Centre Health

21. Stemming the attrition of professional and creative offices from the town centre.
22. There is a risk that the town centre could become less relevant to the local community.

Other

23. The lease arrangements for most buildings are inefficient.
24. Leasing arrangements pose a medium term risk.

Investor: QLDC
 Facilitator: Tom Lucas
 Accredited Facilitator: No

Version no: 2.2
 Initial Workshop: 05/02/2017
 Last modified by: Tom Lucas 09/03/2017
 Template version: 5.0

QUEENSTOWN LAKES DISTRICT COUNCIL

Improving the delivery of effective and efficient services for the community

Investment Plan for QLDC Accommodation

OPPORTUNITIES

Initiative

Workplace Strategy

1. Facilitate collaboration
2. Break down silos
3. Encourage inter-departmental understanding
4. Welcome incidental learnings and chance encounters
5. Encourage creativity and innovation through design and layout
6. Support relationship building between departments
7. Support alternative and flexible workplace models
8. Encourage management by results, rather than management by presence
9. Take advantage of using the space to promote workplace values and behaviours
10. Best meet the needs of the organisation in terms of desk / meeting room utilisation (space utilisation study required)

Brand / Image

1. Maximise the potential for positive technology developments
2. Support the image of a progressive, professional 'can-do' council
3. Challenge the conceived notions and traditional poor reputation of local government
4. Make staff feel proud of their workplace
5. Make a statement about our brand and values – best Council.
6. Present a modern, competent, professional image.

Customer / Community

1. Provide a good customer experience – payments and services in different locations
2. Provide a modern library facility, optimised for the services available
3. Provide an environment that balances the need of resident community and visitors (especially in the library and customer services areas)
4. Provide a council hub for the community to be proud of
5. Provide good parking and public transport links

Recruitment / OH&S

1. Support attraction of new staff
2. Support retention of staff
3. Provide a physical environment that reflects the way staff are valued
4. Prioritise staff wellbeing – it encourages sitting and traditional formats that are detrimental to health
5. Provide an environment that promotes wellness – i.e. staff showers, locker rooms, gym

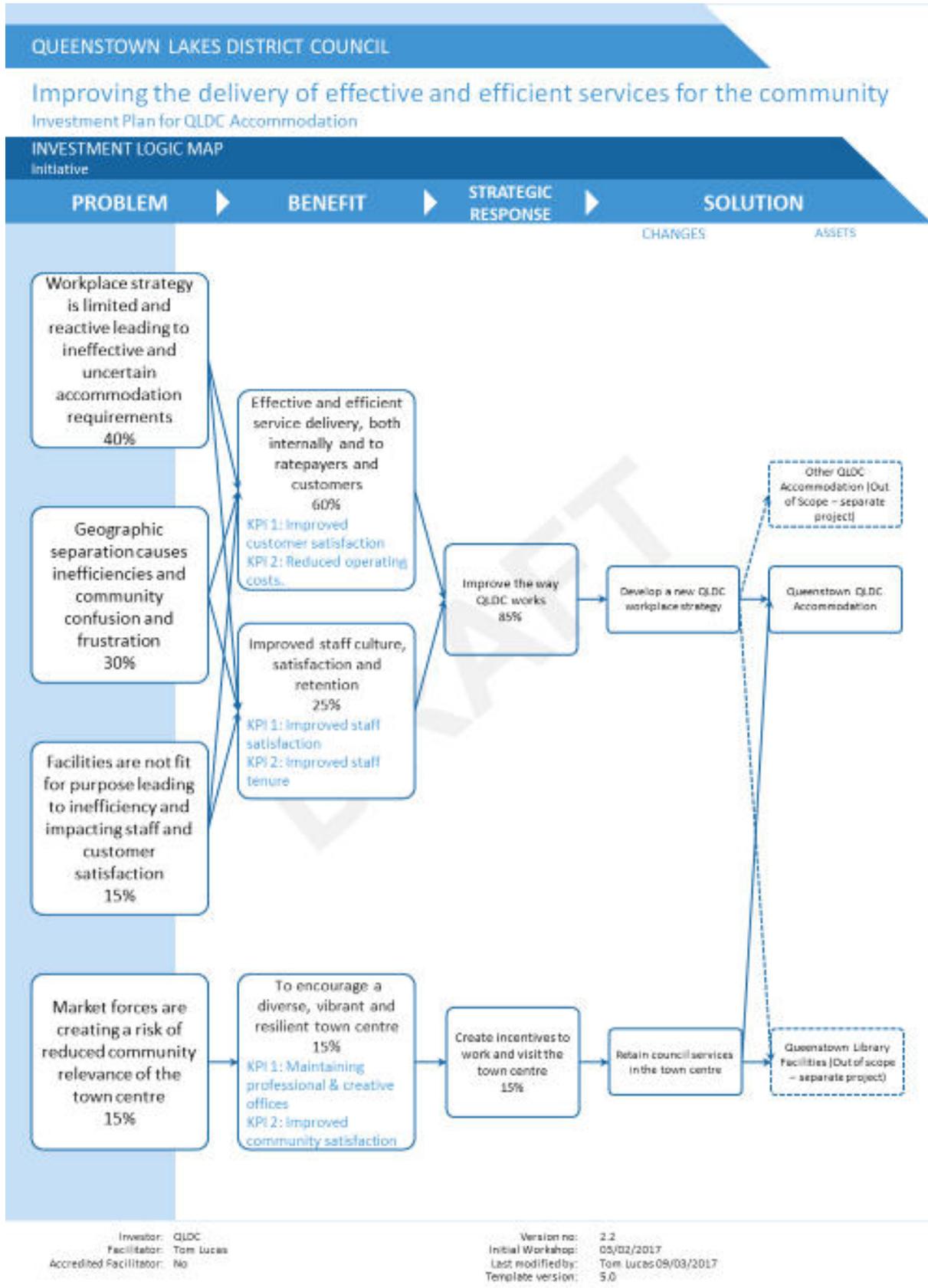
Property / Facilities

1. Minimise operational cost
2. Streamline property portfolio to reduce actual and administrative costs
3. Promote reduction of paperwork for environmental, financial and security reasons
4. Promote clear desk policies (good housekeeping and improved security)
5. Promote the reduction of on-site storage
6. Offer enhanced CDEM facilities
7. Prevent flooding
8. Allow streamlining of suppliers and services i.e. FM services (cleaning, maintenance etc)
9. Provide an accessible environment for the disabled
10. Provide confidence about the primacy of staff safety (confusion over earthquake safety ratings and perceptions that the building is unsafe)
11. Provide the opportunity for growth or future-proofing
12. No ability to encourage or lead community in changing transport options/behaviour

Investor: QLDC
 Facilitator: Tom Lucas
 Accredited Facilitator: No

Version no: 2.2
 Initial Workshop: 05/02/2017
 Last modified by: Tom Lucas 09/03/2017
 Template version: 5.0

Appendix 2 – Investment Logic Map (ILM)



Appendix 3 – Multi Criteria Assessment of Shortlisted

		Strategic options					
		Option 1 53-57 Ballarat St (Carpark)	Option 2 Gorge Road Carpark	Option 4 Cnr Stanley and Ballarat St (Arts)	Option 7 Lakeview - Lot 19 (Reserve land)	Option 8 Lakeview (Lot 12 - Freehold)	Market 0
Benefits							
Percentage of full benefit to be delivered		100%	94%	100%	100%	100%	94%
Benefit 1	Effective and efficient service delivery, both internally and to ratepayers and customers - 60% KPI 1: Improved customer satisfaction KPI 2: Reduced operating costs.	5	5	5	5	5	5
Benefit 2	Improved staff culture, satisfaction and retention - 25% KPI 1: Improved staff satisfaction KPI 2: Improved staff tenure	5	5	5	5	5	5
Benefit 3	To encourage a diverse, vibrant and resilient town centre - 15% KPI 1: Maintaining professional & creative offices KPI 2: Improved community satisfaction	5	3	5	5	5	3
Cost							
Site Area (Ha)		0.46	0.48	0.28	10.22	1.85	1.31
Land value (LV)		11,550,000	1,670,000	5,400,000	30,850,000	23,430,000	
Capital value (CV)		-	1,720,000	5,425,000	42,912,000	28,994,000	-
Land value (\$/m2)		\$ 2,500.00	\$ 350.00	\$ 1,920.00	\$ 300.00	\$ 1,270.00	\$ -
Site Preparation Cost (High/Medium/Low)		M	M	M	L	L	
Time (to consent)							
(Short/Medium/Long)		1 yr - 3 yrs	1 yr	1 yr - 3 yrs	2 yrs - 3 yrs	2 yrs	2 yrs
Business Needs/Considerations							
250 Staff + Chamber, Use of Dev Potential 2 Story		50%	79%	82%	28%	53%	
Site Can Fit 2 Story - Y/Maybe/N		YES	Maybe RC	YES	YES	YES	
Site Ground Can Include Active Edge and Office Y/N/NA		NA	NO	NO	YES	YES	
Land Use Potential to incorporate public facilities (L/M/H)		H	H	H	H	H	
Land Use Potential to incorporate private facilities (L/M/H)		L	H	L	H	H	
Active Edge Required & Problematic Y/N*		Non Commercial	No	Non Commercial	No	No	
Development independence		L	H	M	H	L	
Land disposal opportunities		H	M	L	L	H	
Shape - can a well functioning building be built? (L/M/H)		H	H	H	H	H	
Accessibility - to arterials, PT, parking (5 min walk)(L/M/H)		H	H	H	M	M	
Connectivity - to CBD (L/M/H)		H	H	H	M	M	
Spatial Framework fit (L/M/H)		H	L	H	L	L	
Public front door (L/M/H) City Prominace		H	L	H	L	L	
Environmental considerations - sunlight etc.		H	H	H	H	H	
Infrastructure - utilities, UFB etc.		H	H	H	M	M	
Resilience - natural hazards, flood, liquefaction (L/M/H)		H	M	H	H	H	
Implementability/Risks							
Technical/constructability							
Geotechnical issues (H/M/L)		L	M	L	L	L	
Land Use - Public path to use (Reserves Act)(H/M/L)		M	L	M	H	L	
Land Use - Private path to use (Reserves Act)(H/M/L)		H	L	H	H	L	
Land Use - RMA Consentability (H/M/L)		L	M	L	H	L	
Disruption to council & community activities (H/M/L)		M	M	H	M	M	
Construction risks - e.g. health & safety		L	L	L	L	L	
Commercial arrangements (H/M/L)		H	L	H	L	M	
Financial							
Staff dissatisfaction (H/M/L)		M	M	M	M	M	
Public/stakeholder dissatisfaction (H/M/L)		M	M	H	L	L	
Ranking							
1-3		1	2	4	Discounted	2	
Overall Assessment:							
Recommendation:							

Sites

Appendix 4 – Build Quality Options Assessment

Project Connect:
- Build quality options

Investor: QLDC
Facilitator: Tom Lucas
Initial Workshop: 05-07-17
Version No.: 3
Last Modified by: Tom Lucas - 10-07-17

Strategic options				
	Option 1	Option 2	Option 3	Option 4
Build quality options	Low	Medium	More Ambitious	High
Base building only	\$13,280,000	\$14,110,000	\$14,940,000	\$14,940,000
Fit out	\$3,120,000	\$3,740,000	\$3,740,000	\$4,570,000
Seismic premium - IL3 to IL4	\$0	\$0	\$1,200,000	\$1,200,000
Sustainability (based on Greenstar model)	\$910,000	\$1,240,000	\$1,220,000	\$2,360,000
Design flexibility/futureproofing	\$590,000	\$920,000	\$1,500,000	\$1,880,000
Location premium - aesthetic design uplift to	\$460,000	\$710,000	\$1,120,000	\$1,120,000
Furniture, fittings and equipment	\$300,000	\$500,000	\$700,000	\$700,000
Information technology equipment/phones etc.	\$0	\$250,000	\$400,000	\$400,000
General external works	\$500,000	\$700,000	\$900,000	\$900,000
Above ground risk - retaining wall treatment	\$750,000	\$750,000	\$900,000	\$900,000
Total	\$19,910,000	\$22,920,000	\$26,620,000	\$28,970,000
\$/m²	\$4,800	\$5,500	\$6,400	\$7,000
Carparking	\$0	\$340,000	\$340,000	\$5,060,000
Total	\$19,910,000	\$23,260,000	\$26,960,000	\$34,030,000
\$/m²	\$4,800	\$5,600	\$6,500	\$5,400

Strategic options				
	Option 1	Option 2	Option 3	Option 4
Benefits	Low	Medium	More Ambitious	High
Percentage of full benefit to be delivered	40%	60%	80%	100%

Cost				
Other costs (site works, escalation, fees,	\$8,810,000	\$10,320,000	\$12,520,000	\$14,980,000
Total cost	\$28,720,000	\$33,580,000	\$39,480,000	\$49,010,000
Total cost (\$/m ²)	\$6,900	\$8,100	\$9,500	\$7,700
Impact per Rating Unit (\$/unit)	\$1,200	\$1,400	\$1,700	\$2,100

Other benefits				
Emergency Operations Centre	No	No	Yes	Yes
Flexible Council Chambers	No	Partial	Yes	Yes
Local Government Leaders Climate Change	No	Partial	Partial	Yes
Urban Design Guidelines	No	Partial	Yes	Yes
WPS	No	Partial	Partial	Yes

Risks				
Political	m - widespread staff attitude problems, moderate	m - widespread staff attitude problems, unlikely	m - widespread staff attitude problems, unlikely	i - widespread staff attitude problems, rare
Economic	h - loss <\$5m, likely	h - loss <\$5m, moderate	m - loss <\$5m, unlikely	m - loss <\$5m, unlikely
Social	m - some loss (>25%) of community support, moderate	m - some loss (>25%) of community support, moderate	h - some loss (>25%) of community support, likely	h - some loss (>25%) of community support, likely
Technology	m - major milestone missed by 1-3 months, moderate	m - major milestone missed by 1-3 months, moderate	m - major milestone missed by 1-3 months, moderate	m - major milestone missed by 1-3 months, likely
Legal	i - moderate legal impact or breach, unlikely	i - moderate legal impact or breach, unlikely	i - moderate legal impact or breach, unlikely	i - moderate legal impact or breach, unlikely
Environmental	h - long term but immaterial effect on environment, almost certain	m - long term but immaterial effect on environment, moderate	m - long term but immaterial effect on environment, moderate	m - long term but immaterial effect on environment, unlikely

Ranking				
1-3			2	1

Appendix 5 – Project Connect Summary Report

(Assembly Architects Ltd)

ASSEMBLY ARCHITECTS LIMITED

Assembly Architects Ltd
6 Arrow Lane
PO Box 192
Arrowtown 9351

File #
Project Name
Project Address

28 November 2017

Client Name
Client Address

PROJECT CONNECT SUMMARY REPORT

Executive Summary

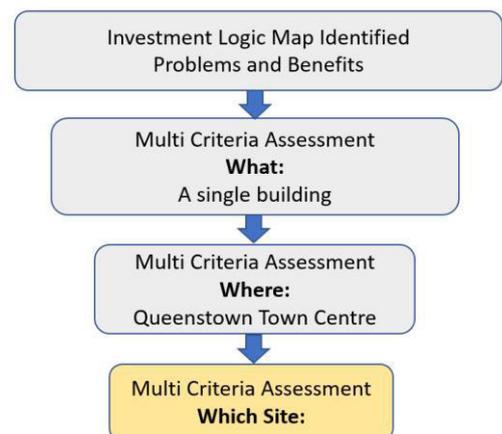
Beca have been engaged to provide Architect Services to assist Queenstown Lakes District Council in writing a business case for the development of a new office building.

The preferred site of the a proposed new building is 53-57 Ballarat Street. The main reasons for the selection of this site are

- The size of the site is a good fit, and can accommodate the size of the building and on grade car parking.
- The land is administered by QLDC, the use of land for administration building is suitable.
- The site is located adjacent to public transport

Background

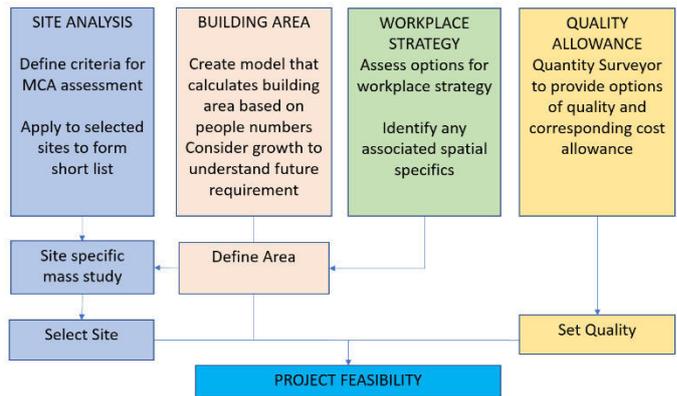
Assembly Architect provided service to assist with information to included in the Better Business Case for the Project Connect workstream within the Queenstown Town Center Masterplan Project. The project connect BBC had progressed through a number of steps before our engagement. The project Investment Logic Map had been established, two Multi Criteria Assessments had identified that the preferred option was to investigate a single building in the Queenstown Town Center. The service that was to identify which site, establish a building area and assist with providing information required to establish a rough order of cost.



PROCESS

A process map was developed that included four Components required to test feasibility.

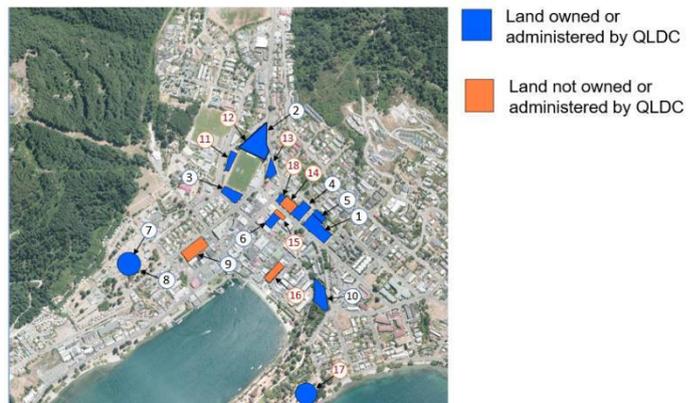
1. Site options and Analysis.
2. Building Area
3. Workplace Strategy
4. Quality Allowances



SITE OPTION LONG LIST

A survey of all land owned and or administered by QLDC was taken. Land not owned or administer by QLDC was also considered. Existing buildings and or sites large enough for a potential fit were included in the list.

QLDC provided a planning report for the identified sites.



BUILDING AREA

The proposed building area is 4150sqm.

The size of the building is determined by following New Zealand Governments Property Management Center of Expertise Workplace Standards and Guidelines for office space July 2014, document attached. The guideline includes recommendation that

- Overall Occupancy Density (total NLA divided by headcount) shall be no higher than 16m2'
- Reduce total-life occupancy costs, including working towards an occupancy density goal of between 12m2 and 16m2 per FTE'

GROWTH CONSIDERATION

QLDC is a fast growing district. It should be anticipated that there will be growth in the organisation thought he period of the project delivery. QLDC carried out an internal assessment of FTE growth for use to calculate the building area. The target move in date was set at 2020.

Paul Speedy confirmed the number of employee's.

- Yr 0 (move in 2020/21) – 250 head count -> 250 x 16m2 = 4,000sqm
- Yr 10 to 12 (future proofing) - 330 to 350 -> 330 x 12m2 = 3,960sqm

It was agreed that the design size for the office is 4,000sqm allowing for 250 FTE on building opening in 2020. QLDC will require a strategy to limit growth of the organisation over 10years to 330 FTE while managing a workplace strategy that reduces the area per FTE to 12sqm over the period.

An Additional 150sqm is added for a Council Chamber.

SITE OPTIONS DEVELOPMENT COMPATIBILITY

A spreadsheet was developed that compared the district plans permitted activity building envelope to the required building size to test the fit with the site options. This provided insight to how much of the site floor area under a single, two or three stories option.

Option	Address	Land Area (m ²)	Max Height	Site Coverage Permitted	Ground Floor Cover	2 Story Development Potential	3 Story Development Potential	1 Story	2 story	3 story	Active Edge On Ground	District Plan / Designation
1	53-57 Ballarat Street (Stanley St Carpark)	4622	12m	90%	4159.8	8,320	12,479	100%	50%	33%		#215 - Local Purpose Reserve
2	Boundary Rd (Gorge Road Carpark)	4790	12m	55%	2634.5	5,269	7,904	158%	79%	53%		High Density Residential Zone (SZ.A) / #232 Carpark
3	Rec Ground Camp Street	2800	7-8m	90%	2520	5,040		165%	82%	NA		(SZ.A) / #210 Recreation Reserve
4	Cnr Stanely & Ballarat St (Arts)	2816	12m	90%	2534.4	5,069	7,603	164%	82%	55%		Queenstown Town Centre Zone / #215 - Local Purpose Reserve
5	63 Ballarat Street (upper ballarat)	1668	7-8m	55%	917.4	1,835		452%	226%	NA		High Density Residential Zone
6	Athol Street + 52 Stunely St	2541	12m	80%	2032.8	4,066	6,098	204%	102%	68%		Queenstown Town Centre Zone / #211 Recreation Reserve Motor / Designation??
7	Lakeview (Lot 19 Reserve land)	8373	12m	90%	7535.7	15,071		55%	28%	NA		Queenstown Town Centre Zone / #211 Recreation Reserve Motor
8	Lakeview (Lot 2)	4357	12m	90%	3921.3	7,843	11,764	106%	53%	35%		Queenstown Town Centre Zone / #211 Recreation Reserve Motor
9	Man Street (Carpark)	3594	12m		3594	7,188		115%	NA	NA		Queenstown Town Centre Zone
10	Market Provided Soutlion											

MULTI CRITERIA ASSESSMENT

A multi criteria assessment was developed to review a broad set of assessment criteria. 53-57 Ballarat St is identified as the preferred option.

	Option 1 53-57 Ballarat St (Carpark)	Option 2 Gorge Road Carpark	Option 4 Cnr Stanley and Ballarat St (Arts)	Option 6 Athol Street	Option 7 Lakeview - Lot 19 (Reserve land)
Strategic Interventions					
Time (to consent) (Short/Medium/Long)	1 yr - 3 yrs	1 yr	1 yr - 3 yrs	1 yr	2 yrs
Business Needs/Considerations					
250 Staff + Chamber, Use of Dev Potential 2 Story	50%	79%	82%	102%	28%
Site Can Fit 2 Story - Y/Maybe/N	YES	Maybe RC	YES	YES	YES
Site Ground Can Include Active Edge and Office Y/N/NA	NA	NO	NO	YES	YES
Land Use Potential to incorporate public facilities (L/M/H)	H	H	H	M	H
Land Use Potential to incorporate private facilities (L/M/H)	L	H	L	H	H
Active Edge Required & Problematic Y/N*	Non Comercial	No	Non Comercial	No	No
Development Independence	L	H	M	H	L
Land disposal opportunities	H	M	L	L	H
Shape - can a well functioning building be built? (L/M/H)	H	H	H	M	H
Accessibility - to arterials, PT, parking (5 min walk)(L/M/H)	H	H	H	H	M
Connectivity - to CBD (L/M/H)	H	H	H	H	M
Spatial Framework fit (L/M/H)	H	L	H	H	L
Public front door (L/M/H) City Prominace	H	L	H	H	L
Environmental considerations - sunlight etc.	H	H	H	L	H
Infrastructure - utilities, UFB etc.	H	H	H	H	M
Resilience - natural hazards, flood, liquefaction (L/M/H)	H	M	H	H	H
Impementability/Risks					
Technical/constructability					
Geotechnical issues (H/M/L)	L	M	L	L	L
Land Use - Public path to use (Reserves Act)(H/M/L)	M	L	M	L	L
Land Use - Private path to use (Reserves Act)(H/M/L)	H	L	H	L	L
Land Use - RMA Consentability (H/M/L)	L	M	L	L	L
Disruption to council & community activities (H/M/L)	M	M	H	M	M
Construction risks - e.g. health & safety	L	L	L	L	L
Commercial arrangements (H/M/L)	H	L	H	H	M
Financial					
Staff dissatisfaction (H/M/L)	M	M	M	M	M
Public/stakeholder dissatisfaction (H/M/L)	M	M	H	M	L

QS COSTING

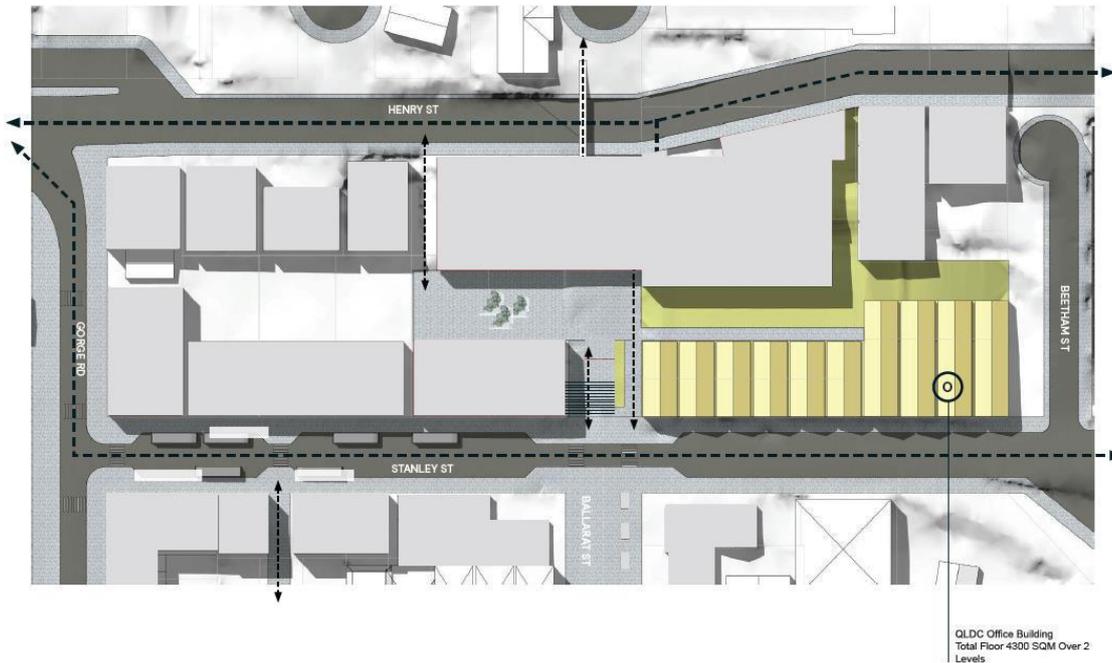
Rider Levett Bucknall provided for 4 site options. RLB provided three levels of quality allowance to reflect a three levels of aspiration from low to high. The QS line items include description about the quality allowances.

SITE PLANNING – CIVIC HEART

Site massing studies for the office building has been included in the civic heart Variation.

QUEENSTOWN
TOWN CENTRE

QUEENSTOWN
LAKES DISTRICT
COUNCIL



Justin Wright

Registered Architect

For Assembly Architects Ltd

Justin@assembly.co.nz

PROJECT CONNECT SITE OPTIONS DATA

Project Connect: Site Options



 Land owned or administered by QLDC

 Land not owned or administered by QLDC

Site Option: 53-57 Ballarat Street

Option 1

53-57 BALLARAT STREET

Address: 53-57 Ballarat Street QUEENSTOWN 9300

Legal Description:

SECS 14-16 SO 19720 SEC 17 SO 19721 BLK XVI
QUEENSTOWN TN - BAL OF TITLE ON 2910 6/15600 -

Valuation Number: 2910523100

Area: 4622m²



Site Option: 5 Boundary Street

Option 2

BOUNDARY ROAD – PART #5

Address: 5 Boundary Street QUEENSTOWN 9300

Legal Description:

LOTS 1-3 DP 10627 SECS 4 6-7 BLK XXIV

QUEENSTOWN TN

Valuation Number: 2910612700

Area: 3008m²



BOUNDARY ROAD – ALL

Addresses:

1. 5 Boundary Street QUEENSTOWN 9300
2. 1 Boundary Street QUEENSTOWN 9300

Legal Descriptions:

1. LOTS 1-3 DP 10627 SECS 4 6-7 BLK XXIV QUEENSTOWN TN
2. SECS 1-2 BLK XXIV QUEENSTOWN TN

Valuation Numbers:

1. 2910612700
2. 2910612500

Areas:

1. 4790m²
2. 1998m²

Total Area: 6788m²

Contents

1	Executive Summary	1
2	Introduction	4
3	The Strategic Case – Making the Case for Change	5
3.1	Strategic Context	5
3.2	The Need for Investment	12
3.3	The Case for Change	15
3.4	Potential Business Scope and Key Service Requirements	18
3.5	Main Benefits	19
3.6	Main Risks	20
4	Economic Case – Exploring the Preferred Way Forward	25
4.1	Critical Success Factors	25
4.2	Longlist Options Assessment	26
4.3	The Shortlisted Options	28
4.4	Selecting the Preferred Site	31
4.5	The Preferred Way Forward	35
5	Outlining the Commercial Case	39
5.1	The Deal – What we need to buy/fund	39
5.2	Procurement strategy	39
5.3	Consenting strategy	39
5.4	Property acquisition strategy	40
5.5	Implementation and contract management	40
6	Outlining the Financial Case	41
6.1	Indicative costs	41
6.2	Options for alternative procurement	42
7	Outlining the Management Case	43
7.1	Governance and reporting	43
7.2	Project management and assurance	43
7.3	Communications and stakeholder management	44
	Appendix 1 – Issues & Opportunities	45
	Appendix 2 – Investment Logic Map (ILM)	47
	Appendix 3 – Multi Criteria Assessment of Shortlisted Sites	48
	Appendix 4 – Build Quality Options Assessment	49
	Appendix 5 – Project Connect Summary Report	50

Site Options: Recreation Ground / Memorial Street

Option 3

RECREATION GROUND – MEMORIAL ST / CAMP ST

Address: 1 Memorial Street QUEENSTOWN 9300

Legal Description:

SEC 134 PT SEC 7 BLK XX SHOTOVER SD (SEC 134 KNOWN

AS QUEENSTOWN REC RESERVE

Valuation Number: 2910614000

Area: 2795m² (Approx.)



RECREATION GROUND –ALL

Address: 1 Memorial Street QUEENSTOWN 9300

Legal Description:

SEC 134 PT SEC 7 BLK XX SHOTOVER SD (SEC 134

KNOWN AS QUEENSTOWN REC RESERVE

Valuation Number: 2910614000

Area: 22593m²

Site Options: 47-49 Stanley Street

Option 4

47-49 STANLEY STREET

Address: 47-49 Stanley Street QUEENSTOWN
9300

Legal Description:

SECS 1-2 9 BLK XVIII QUEENSTOWN TN - BAL

OT TITLE ON 29105/23100 **Valuation Number:**

2910615600

Area: 2816m²



Site Option: 63 Ballarat Street

Option 5

63 BALLARAT STREET

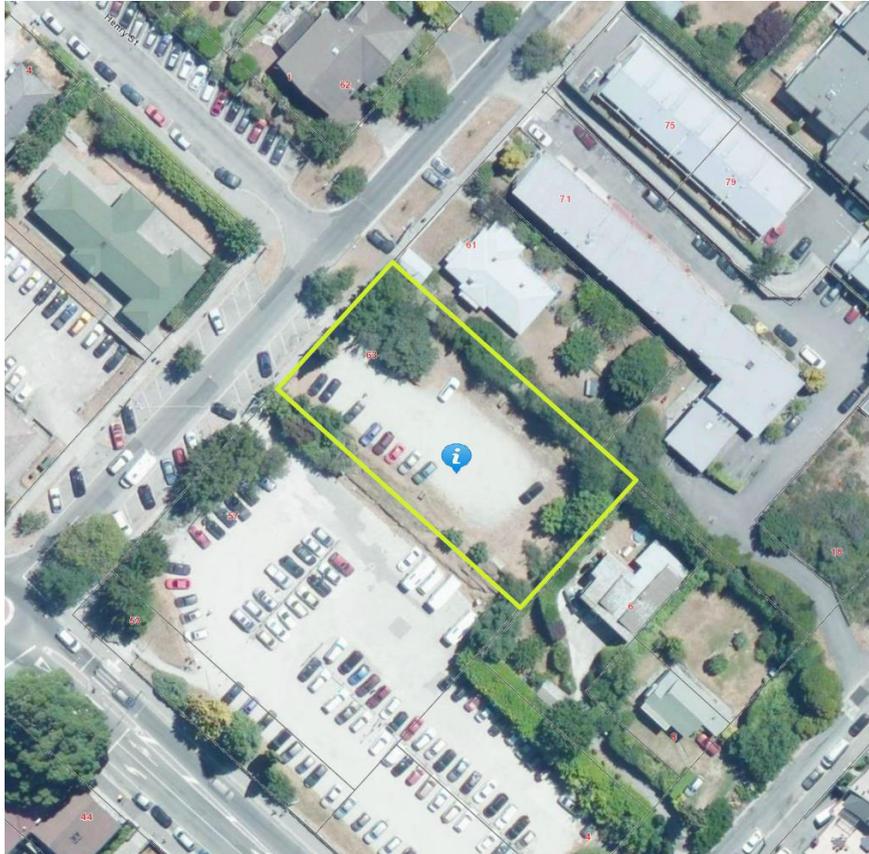
Address: 63 Ballarat Street QUEENSTOWN 9300

Legal Description:

SEC 1 SO 19720 - GAZ 2000/59 & 950

Valuation Number: 2910523400

Area: 1668m²



Site Options: Athol Street



Option 6
ATHOL STREET - ALL
Address: Athol Street QUEENSTOWN 9300
Legal Area: 1789m²



d.
12-16 ATHOL STREET
Address: 12-16 Athol Street
 QUEENSTOWN 9300
Legal Description:
 SEC 19 BLK IV QUEENSTOWN
Valuation Number: 2910630900
Area: 680m²



a.
ATHOL STREET
Address: Athol Street QUEENSTOWN
 9300
Legal Description:
 SEC 4 BLK IV QUEENSTOWN
Valuation Number: 2910630804
Area: 177m²



e.
ATHOL STREET
Address: Athol Street QUEENSTOWN 9300
Legal Description:
 LOT 1 DP 9331
Valuation Number: 2910630803
Area: 192m²



f.
ATHOL STREET
Address: Athol Street QUEENSTOWN 9300
Legal Description:
 SEC 17 BLK IV QUEENSTOWN
Valuation Number: 2910630802
Area: 192m²



b-c.
ATHOL STREET
Address: Athol Street QUEENSTOWN
 9300
Legal Description:
 SECS 5 6 BLK IV QUEENSTOWN
Valuation Number: 2910630805
Area: 384m²



g.
ATHOL STREET
Address: Athol Street QUEENSTOWN 9300
Legal Description:
 SEC 16 BLK IV QUEENSTOWN
Valuation Number: 2910630801
Area: 177m²

Site Option: Man Street (Camp Ground)



Option 7

PROPOSED SUBDIVISION

Proposed Lot: Lot 19

Area: 8373m²

Option 8

PROPOSED SUBDIVISION

Proposed Lot: Lot 2

Area: 4357m²

CURRENT SITE

Address: 4 Cemetery Road QUEENSTOWN 9300

Legal Description:

SECS 1-4 SO 24298 SECS A I-J SO 24298 CLOSED ROAD BLK XXXII PT BLK XXXII SECS 6- 14 BLK XXIX PR BLK LVI SEC 1 BLK LVI QUEENSTOWN TN PT BLK XXIX SHOTOVER SD LOTS 1-3 DP 354070SECS

Valuation Number: 2910614101

Area: 102186m²



Site Options: Man Street (Carpark)

Option 9

MAN STREET

Address: Man Street QUEENSTOWN 9300

Legal Description: LOT 1 DP 399240

Valuation Number: 2910641104

Area: 3594m²

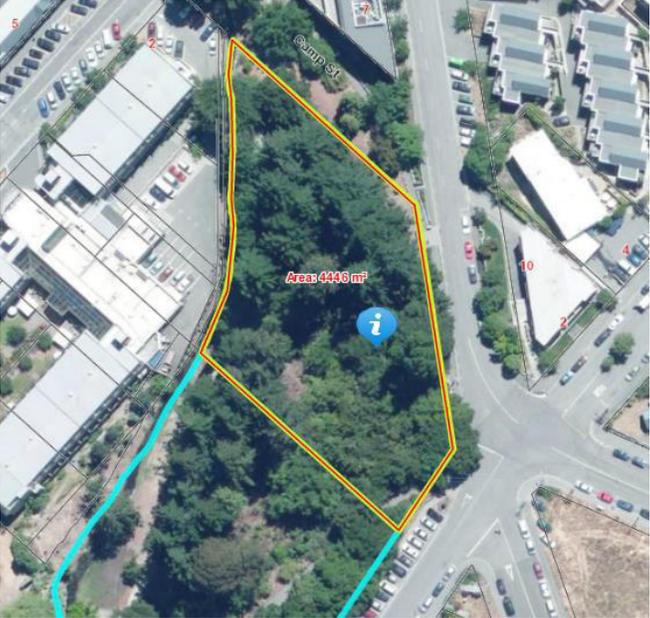


Site Option: Park Street



Option 10

PARK STREET
Address: Park Street QUEENSTOWN 9300
Legal Description: SECS 1-2 SO 16567 SEC 3 SO 17993 BLK LII QUEENSTOWN TN
Valuation Number: 2910506500
Area: 4446m²



Site Options: Ruled out

Option 11

RECREATION GROUND – ROBINS ROAD

Address: 1 Memorial Street QUEENSTOWN 9300

Legal Description:

SEC 134 PT SEC 7 BLK XX SHOTOVER SD (SEC 134
KNOWN AS QUEENSTOWN REC RESERVE

Valuation Number: 2910614000

Area: 1684m² (Approx.)



Option 12

BOUNDARY ROAD – PART #1

Address: Part / 1 Boundary Street QUEENSTOWN

9300

Legal Description: SECS 1-2 BLK XXIV

QUEENSTOWN TN

Valuation Number: 2910612500

Area: 1014m²



Option 13

GORGE ROAD

Address: 8-10 Gorge Road
QUEENSTOWN 9300

Legal Description:

SECS 4-5 BLK XXIII QUEENSTOWN TN

Valuation Number: 2910613300

Area: 1793m²



Option 14

53-61 STANLEY STREET

Address: 53-61 Stanley Street QUEENSTOWN
9300

Legal Description:

SECS 3-5 BLK XVIII TN OF QUEENSTOWN

Valuation Number: 2910615700

Area: 2579m²



Site Options: Ruled out

Option 15

52-58 STANLEY STREET

Address: 52-58 Stanley Street QUEENSTOWN 9300

Legal Description:

LOT 1 DP 301019 SEC 7 BLK IV QUEENSTOWN TN

Valuation Number: 2910630500

Area: 753m²



Option 16

5-17 CHURCH STREET

Address: 5-17 Church Street QUEENSTOWN 9300

Legal Description:

LOTS 1-4 DP 300463 BEING LOT 1 DP 27486

Valuation Number: 2910503100

Area: 2355m²



Site Options: Ruled out

Option 17

PARK STREET – GARDENS

Address: Park Street QUEENSTOWN 9300

Legal Description:

PT SECS 4-5 7 BLK LI QUEENSTOWN TN

Valuation Number: 2910507200

Area: 4371m²

(Total 129288m²)



Option 18

STANLEY STREET – SITE 01

Address: Stanley Street QUEENSTOWN

9300

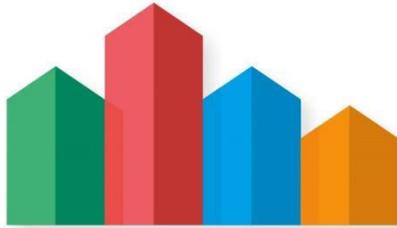
Legal Description:

SEC 10 BLK XVIII QUEENSTOWN

Valuation Number: 2910615800

Area: 681m²





PROJECT CONNECT

QLDC One-Office Options

Preliminary Planning Assessment

1. 52-62 Ballarat Street/2-4 Beetham Street
2. 47-61 Stanley Street
3. 58 Stanley Street
4. Queenstown Recreation Reserve (South)
5. Queenstown Recreation Reserve (West)
6. Queenstown Recreation Reserve (North)
7. 10 Gorge Road
8. Boundary Street Carpark
9. Queenstown Gardens
10. Horne Creek Recreation Reserve
11. Queenstown Motor Park (Man Street)
12. Man Street Carpark
13. 5-17 Church Street

May 2017

General Comments

All sites:

- All applications will require resource consent due to the underlying zoning and/or the type of activity proposed.
- It is very highly recommended all applications be reviewed by the Queenstown Urban Design Panel.
- Given all the proposed sites are located within or very near to the town centre, access, parking and traffic effects will be one of the major areas that will be assessed. A traffic impact assessment will be required, more so if transportation standards cannot be met.
- Designations – although QLDC is the requiring authority for a number of the designations which apply to the proposed sites, the proposal of council offices is outside the scope of the designation. Therefore the use of the outline plan process is not applicable.
- In addition to the site and zone specific planning context of each site, the District Plan contains various ‘district wide’ provisions which are applicable regardless of zoning. Specific chapters of relevance include but are not limited to:
 - o Transportation
 - o Signage
 - o Earthworks

Particular Assessment Matters for the Queenstown Town Centre Zone:

Public Spaces

- The design of buildings fronting parks and the Square contribute to the amenity of the public spaces.

Street Edges (including Active Frontages)

- Built form contributes to providing a high quality, spatially well-defined and contained streetscape and associated urban amenity.
- Visual interest is provided through a variety of building forms and frontages in terms of footprint, height and design.
- Buildings should avoid blank walls which are visible from public spaces.
- Where provided, car parking is accessible and does not dominate the streetscape.
- Buildings and streetscape design comply with CPTED principles.

Sustainable Buildings

- The adoption of sustainable building design principles using sustainable materials, passive and active solar energy collection (where this is workable), water conservation techniques and/or, grey water recycling.

Landscaping

- Planting and landscaping is designed to:
 - Maintain access to winter sun.
 - Integrate site landscape design with the wider context.
 - Comply with CPTED principles

Car Parking

The district wide parking requirement for offices is 1 per 50m² GFA. Therefore, the number of carparks required will be dependent on the GFA of the proposed building.

1. 52-62 Ballarat Street/2-4 Beetham Street



Zoning: Queenstown Town Centre

Designation: #215 – Local Purpose Reserve (Community Centre)

- Max Building Height:** 12m
- Recession Planes:** No
- Maximum Site Coverage:** 80%
- Setback Requirements:** Where the site adjoins a Low Density Residential or High Density Residential Zone or public open space the setback shall be 4.5m. (In this instance this will apply to all northern boundaries).
- Car Parking Requirements:** The parking requirement for offices is 1 per 50m² GFA.

Resource Consent

Given the zoning of the site is Queenstown Town Centre, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 10.6.3.2 i for a building in the Town Centre Zone. Council’s control is with respect to Design, appearance, landscaping signage (which may include directional street maps), lighting, materials, colours and contribution to the character of the streetscape

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Height

It is likely a breach of maximum height (due to the extent of the breach) will require approval from neighbours due to the dominance and potential overlooking effects. This will be more applicable if the breaches are located close to the neighbours. Should the height breaches be confined to the south of the site, there exists an argument that the effects will be less than minor due to the surrounding Queenstown Town Centre zoning and the permitted 12m maximum height.

Coverage

In this instance although there is an 80% maximum site coverage, the 4.5m internal setback requirement for the northern boundaries bordering the adjacent HDR sites will reduce the maximum overall footprint. However, should 100% site coverage be proposed, the likelihood of consent being granted will be influenced by the design of the building and whether or not it contributes positively to the streetscape.

Setback

In terms of the internal 4.5m setback requirement, should it be breached, it is likely that affected persons approval (APA) from the neighbours will be required due to the nature and scale of what is proposed.

Design¹

Given the high visibility of the site, and location of the proposed building on a prominent corner, design and appearance will be extremely important. Another factor to take into account, is parking, access and the impact of a major office and associate vehicles on the surrounding roads due to the town centre setting of the site transportation and the already congested network.

¹ See particular assessment matters for the Queenstown Town Centre Zone (Page 2)

2. 47-61 Stanley Street



Zoning: Queenstown Town Centre

Designation: #215 – Local Purpose Reserve (Community Centre) – This only applies to 47-49 Stanley Street. The remainder of the site is un-designated.

Max Building Height:	12m
Recession Planes:	No
Maximum Site Coverage:	80%
Setback Requirements:	No setback requirements (no neighbouring HDR sites)
Car Parking Requirements:	The parking requirement for offices is 1 per 50m ² GFA.

Resource Consent:

Given the zoning of the site is Queenstown Town Centre, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 10.6.3.2 i for a building in the Town Centre Zone. Council's control is with respect to Design, appearance, landscaping signage (which may include directional street maps), lighting, materials, colours and contribution to the character of the streetscape

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Given the high visibility of the site, and location of the proposed building on a prominent corner, design and appearance will be extremely important. Another factor to take into account, is parking, access and the impact of a major office and associate vehicles on the surrounding roads due to the town centre setting of the site transportation and the already congested network.

Height

It is likely a breach of maximum height (due to the extent of the breach) will require approval from the neighbours in the surrounding HDR zoned sites due to the dominance effects. This will be more applicable if the breaches are located close to the neighbours. Should the height breaches be confined to the south of the site, there exists an argument that the effects will be less than minor due to the surrounding Queenstown Town Centre zoning and the permitted 12m maximum height.

Coverage

In this instance although there is an 80% maximum site coverage, should 100% be proposed, the likelihood of consent being granted will be influenced by the design of the building and whether or not it contributes positively to the streetscape.

Setback

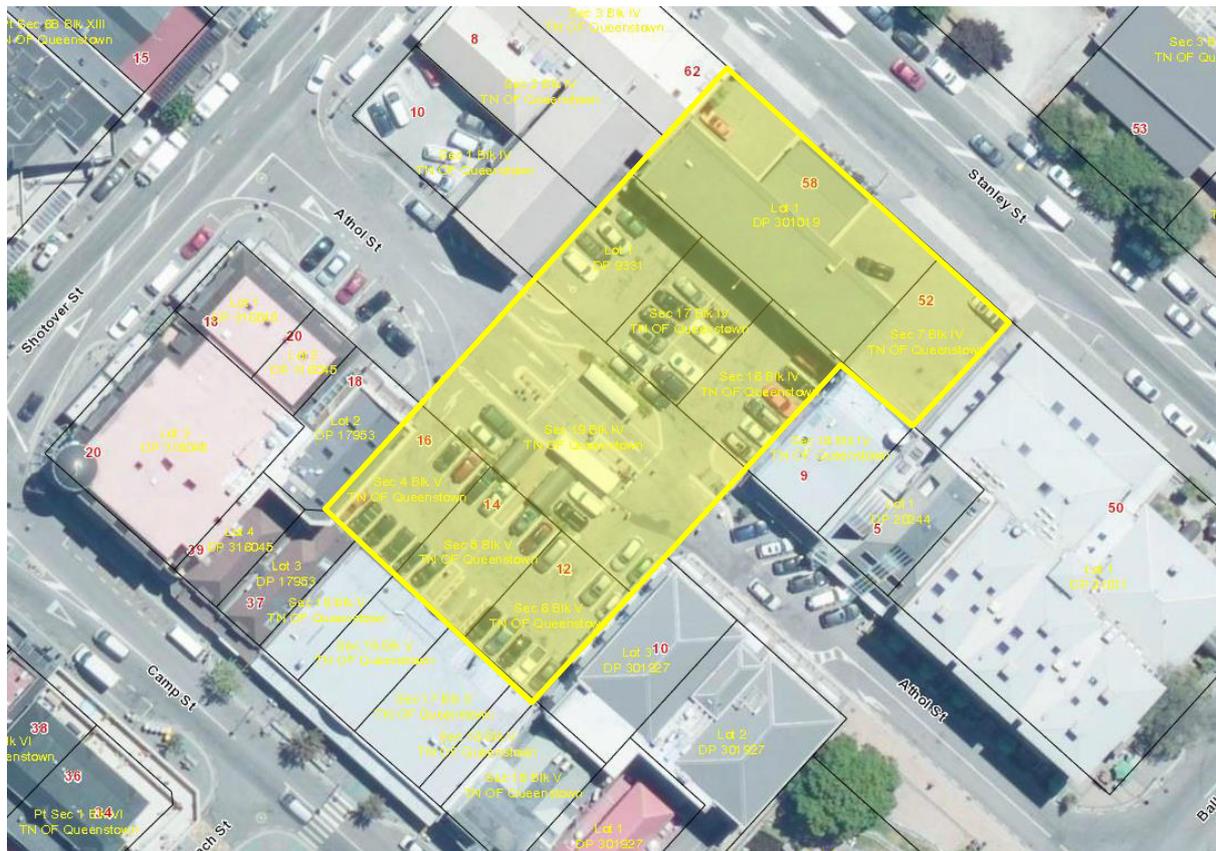
In terms of the internal 4.5m setback requirement, should it be breached, it is likely that affected persons approval (APA) from the neighbours will be required due to the scale of what it is proposed.

Design²

Given the high visibility of the site, and location of the proposed building on a prominent corner, design and appearance will be extremely important. Another factor to take into account, is parking, access and the impact of a major office and associate vehicles on the surrounding roads due to the town centre setting of the site transportation and the already congested network.

² See particular assessment matters for the Queenstown Town Centre Zone (Page 2)

3. 58 Stanley Street



Zoning: Queenstown Town Centre

Designation: #81 - Carpark

Max Building Height: 12m

Recession Planes: No

Maximum Site Coverage: 80%

Setback Requirements: Where the site adjoins a Low Density Residential or High Density Residential Zone or public open space the setback shall be 4.5m.
In this case N/A

Car Parking Requirements: The parking requirement for offices is 1 per 50m² GFA.

Resource Consent:

Given the zoning of the site is Queenstown Town Centre, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 10.6.3.2 i for a building in the Town Centre Zone. Council’s control is with respect to design, appearance, landscaping signage (which may include directional street maps), lighting, materials, colours and contribution to the character of the streetscape

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Given the high visibility of the site, and location of the proposed building on a prominent corner, design and appearance will be extremely important. Another factor to take into account, is parking, access and the impact of a major office and associate vehicles on the surrounding roads due to the town centre setting of the site transportation and the already congested network.

Height

Given the surrounding environment, it is recommended that the 12m height limit be adhered to as most buildings appear to be within the 12m height limit. A breach of this will potentially result in effects that are more than minor.

Coverage

In this instance although there is an 80% maximum site coverage, should 100% be proposed, the likelihood of consent being granted will be influenced by the design of the building and whether or not it contributes positively to the streetscape. However, given the surrounding environment, coverage of 100%, although requiring resource consent, will be feasible as many surrounding buildings occupy the entirety of their respective sites.

Design³

Given the high visibility of the site, and location of the proposed building on a prominent corner, design and appearance will be extremely important. Another factor to take into account, is parking, access and the impact of a major office and associate vehicles on the surrounding roads due to the town centre setting of the site transportation and the already congested network.

A potential case study to use in this context is the Palmerston North City Council building. Although a much larger building and site, it spans over a road. Can be used as an example of what to do, or what not to do.

Using this site has the potential to improve the streetscape along this particular length of Stanley Street which is currently very bleak and un-interactive (black facades and remnants of a former service station).

General

In terms of the resource consent process, parking and access, given the large number of pool vehicles used by QLDC, will be a key area that will be assessed. Can sufficient parking be accommodated on site, and if so, what will be the implications of this on traffic flows and movements within the CBD.

The use of this site will result in the loss of parking spaces. If shortlisted, it is highly recommended that the infrastructure team be liaised with in order to understand the implications, and whether or not approval would be given.

³ See particular assessment matters for the Queenstown Town Centre Zone (Page 2)

4. Queenstown Recreation Reserve (South)



Zoning: High Density Residential (Subzone A)

Designation: #210 (Queenstown Recreation Reserve)

Max Building Height:	Flat Site – 8m Sloping Site – 7m (A site is sloping if the slope across the footprint of the building is greater than 6 degrees)
Recession Planes:	Flat – Yes Sloping - No
Maximum Site Coverage:	55%
Setback Requirements:	Road boundary setback – 4.5m Internal boundary setback – one of 4.5, remainder 2m
Car Parking Requirements:	The parking requirement for offices is 1 per 50m ² GFA.

Resource Consent:

Given the High Density Residential (Subzone A) zoning, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 7.5.3.2 iii (b) for a building for community activities. Council's control is with respect to:
 - The location, height, external appearance and methods of construction to avoid or mitigate adverse effects on:
 - the street scene;
 - adjoining or surrounding buildings;

- public open space, amenity linkages and view corridors;
 - the visual amenity of open spaces, streets and the surrounding landscape.
- The relationship of the building to its neighbours in terms of its built form, and to other built elements in the Zone, including public open spaces.
- The relationship of parking, access and manoeuvring areas in respect of access point options for joint use of car parking and the safety of pedestrians.
- The extent and quality of any landscaping proposed and the effectiveness of proposed planting in enhancing the general character of the area, screening car parking areas, and the impact on residential uses.
- Compatibility with the New Zealand Urban Design Protocol, having regard to those assessment matters under 7.7.2 xiii Urban Design Protocol.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Height

In this instance a breach of the maximum height of 8m, will likely be assessed in respect of the 12m maximum height limit of the neighbouring sites located on the opposite side of the road of Camp and Memorial Streets. Therefore, a breach of the 8m maximum height up to 12m will likely be assessed in light of the permitted baseline of 12m for the aforementioned sites, making a height breach of up to 4m above the permitted 8m feasible.

Recession Plane

Given that there are no recession planes required for the surrounding town centre zones, and the HDR sites to the north west are a school and fire station, a proposal which breaches this would be feasible, given the surrounding context of existing land use and zoning.

Site Coverage

Given that this area is only a portion of the larger site, maximum coverage will not be exceeded.

Setback

Although a 4.5m road boundary setback is required for three of the site boundaries, again, given the surrounding environment of Queenstown Town Centre Zoning which does not require a road boundary setback, the impact of breaching this standard will be lesser than compare to a site with a surrounding HDR environment.

5. Queenstown Recreation Reserve (West)



Zoning: High Density Residential (Subzone A)

Designation: #210 (Queenstown Recreation Reserve)

Max Building Height:	Flat Site – 8m Sloping Site – 7m (A site is sloping if the slope across the footprint of the building is greater than 6 degrees)
Recession Planes:	Flat – Yes Sloping - No
Maximum Site Coverage:	55%
Setback Requirements:	Road boundary setback – 4.5m Internal boundary setback – one of 4.5, remainder 2m
Car Parking Requirements:	The parking requirement for offices is 1 per 50m ² GFA.

Resource Consent

Given the High Density Residential (Subzone A) zoning, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 7.5.3.2 iii (b) for a building for community activities. Council's control is with respect to:
 - The location, height, external appearance and methods of construction to avoid or mitigate adverse effects on:

- the street scene;
- adjoining or surrounding buildings;
- public open space, amenity linkages and view corridors;
- the visual amenity of open spaces, streets and the surrounding landscape.
- The relationship of the building to its neighbours in terms of its built form, and to other built elements in the Zone, including public open spaces.
- The relationship of parking, access and manoeuvring areas in respect of access point options for joint use of car parking and the safety of pedestrians.
- The extent and quality of any landscaping proposed and the effectiveness of proposed planting in enhancing the general character of the area, screening car parking areas, and the impact on residential uses.
- Compatibility with the New Zealand Urban Design Protocol, having regard to those assessment matters under 7.7.2 xiii Urban Design Protocol.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Height

In this context, a breach of maximum height is likely to have effects on one neighbour; the Boutique Hotel located at 21 Robins Road. Although located across the road, there would be effects in terms of overlooking, dominance and loss of amenity. Preliminary discussion with this neighbour in the first instance should this site be shortlisted is recommended. No other parties would be considered to be adversely affected. In terms of environmental effects, a height breach in the location proposed would be prominent due to the isolated location of the potential building. Effects would be largely dependent on the design of the building.

Recession Plans

Recession planes are required to reduce the dominance effects of buildings on neighbours and the streetscape. Again, the feasibility of this breach will be dependent, in this case, on how well the proposed building contributes to the streetscape.

Site Coverage

Given that this area is only a portion of the larger site, maximum coverage will not be exceeded.

Setback

Should a setback breach be proposed, it is unlikely the sites to the west will be adversely affected. The more significantly affected site as a result of this will be the hotel to the north. However, the hotel is located within the 4.5m road boundary setback, so there is the possibility of using precedence.

Traffic

Should the main access be established along Boundary Street, it is anticipated that APA from the hotel will be required due to the increase in traffic flow and associated effects. One factor to take into account is the location of the access along Robins Road will require the loss of carparks.

General

It may be a good idea to liaise with the school in the first instance in order to understand how they operate, and obtain their knowledge of the site and surrounds.

6. Queenstown Recreation Reserve (North)



Zoning: High Density Residential (Subzone A)

Designation: #210 (Queenstown Recreation Reserve) – Only applies to southern portion of proposed site. The majority of the proposed site is un-designated.

Max Building Height:	Flat Site – 8m Sloping Site – 7m (A site is sloping if the slope across the footprint of the building is greater than 6 degrees)
Recession Planes:	Flat – Yes Sloping - No
Maximum Site Coverage:	55%
Setback Requirements:	Road boundary setback – 4.5m Internal boundary setback – one of 4.5, remainder 2m
Car Parking Requirements:	The parking requirement for offices is 1 per 50m ² GFA.

Resource Consent:

Given the High Density Residential (Subzone A) zoning, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 7.5.3.2 iii (b) for a building for community activities. Council's control is with respect to:
 - The location, height, external appearance and methods of construction to avoid or mitigate adverse effects on:
 - the street scene;
 - adjoining or surrounding buildings;

- public open space, amenity linkages and view corridors;
 - the visual amenity of open spaces, streets and the surrounding landscape.
- The relationship of the building to its neighbours in terms of its built form, and to other built elements in the Zone, including public open spaces.
- The relationship of parking, access and manoeuvring areas in respect of access point options for joint use of car parking and the safety of pedestrians.
- The extent and quality of any landscaping proposed and the effectiveness of proposed planting in enhancing the general character of the area, screening car parking areas, and the impact on residential uses.
- Compatibility with the New Zealand Urban Design Protocol, having regard to those assessment matters under 7.7.2 xiii Urban Design Protocol.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Height

Due to the lack of adjacent neighbours, a breach of maximum height in this location is not likely to adversely affect neighbours. In terms of environmental effects, the site is elevated lower than the surrounding roads and dwellings. Therefore a height breach in this location would be feasible.

Recession Planes

Given the internal nature of the site within the Recreation Grounds and carpark, a breach in recession planes are not likely to have effects on persons or the environment that will be more than minor.

Site Coverage

Although site coverage is likely to be breached, given the surrounding and existing environment, effects on persons and the environment is anticipated to be less than minor.

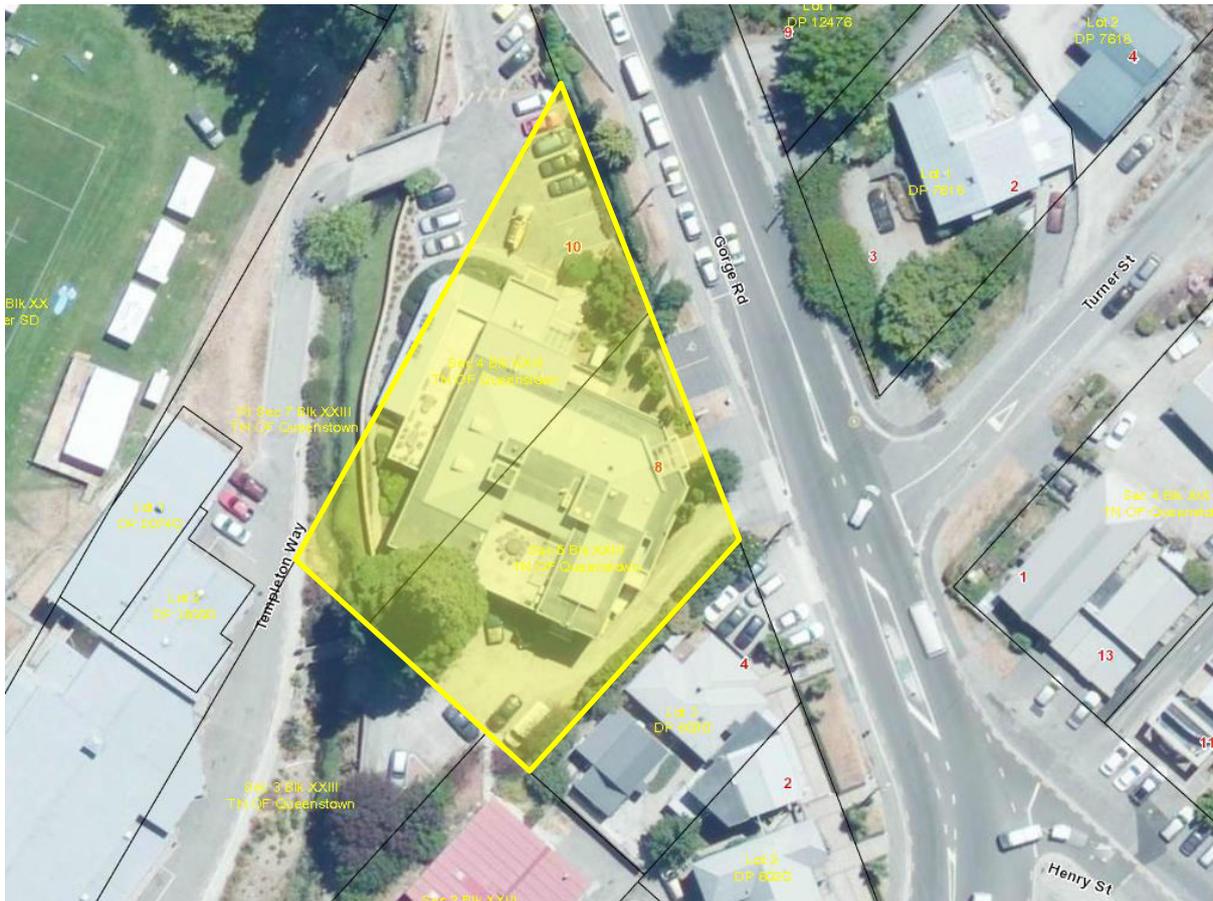
Traffic

Given the location of the site, access will be via Boundary Street. This is currently shared by the aforementioned hotel. Dependent on parking configuration and resultant potential traffic flow APA may be required.

General

Potential for bridge to be built and secondary access to Gorge Road?

7. 10 Gorge Road



Zoning: High Density Residential (Subzone A)

Max Building Height:	Flat Site – 8m Sloping Site – 7m (A site is sloping if the slope across the footprint of the building is greater than 6 degrees)
Recession Planes:	Flat – Yes Sloping - No
Maximum Site Coverage:	55%
Setback Requirements:	Road boundary setback – 4.5m Internal boundary setback – one of 4.5, remainder 2m
Car Parking Requirements:	The parking requirement for offices is 1 per 50m ² GFA.

Resource Consent

Given the High Density Residential (Subzone A) zoning, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 7.5.3.2 iii (b) for a building for community activities. Council's control is with respect to:
 - The location, height, external appearance and methods of construction to avoid or mitigate adverse effects on:

- the street scene;
 - adjoining or surrounding buildings;
 - public open space, amenity linkages and view corridors;
 - the visual amenity of open spaces, streets and the surrounding landscape.
- The relationship of the building to its neighbours in terms of its built form, and to other built elements in the Zone, including public open spaces.
 - The relationship of parking, access and manoeuvring areas in respect of access point options for joint use of car parking and the safety of pedestrians.
 - The extent and quality of any landscaping proposed and the effectiveness of proposed planting in enhancing the general character of the area, screening car parking areas, and the impact on residential uses.
 - Compatibility with the New Zealand Urban Design Protocol, having regard to those assessment matters under 7.7.2 xiii Urban Design Protocol.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Height

A breach in maximum height is likely to result in effects that will be restricted to 4 Gorge Road to the south east. Depending on the location and extent of the breach, it likely that APA will be required from this neighbour.

Recession Planes

Similar to the assessment above.

Site Coverage

Should this be proposed, it is recommended that the bulk of the building be located to the north west. Should this be the base, the permitted baseline can be used to justify the effects of the proposal being less than minor.

Setback

In terms of internal boundary setback, a breach of this in respect of 4 Gorge Road will likely require APA. As the surrounding sites are residential in nature, the location of a large office building within the road boundary setback would not be in keeping with the character of the surrounding environment. However, should this be proposed, it is recommended the building be designed in a manner which is sympathetic to the environment in which it is set.

General

- Protected tree located on the site.
- Should bulk and location standards be breach is it recommended to restrict these to the north western portion of the site as effects will be internalised.

8. Boundary Street Carpark



Zoning: High Density Residential (Subzone A)

Designation: #232 (Car-park)

Max Building Height:

Flat Site – 8m

Sloping Site – 7m

(A site is sloping if the slope across the footprint of the building is greater than 6 degrees)

Recession Planes:

Flat – Yes Sloping - No

Maximum Site Coverage:

55%

Setback Requirements:

Road boundary setback – 4.5m

Internal boundary setback – one of 4.5, remainder 2m

Car Parking Requirements:

The parking requirement for offices is 1 per 50m² GFA.

Planning Overview:

Given the High Density Residential (Subzone A) zoning, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 7.5.3.2 iii (b) for a building for community activities. Council's control is with respect to:
 - The location, height, external appearance and methods of construction to avoid or mitigate adverse effects on:
 - the street scene;

- adjoining or surrounding buildings;
- public open space, amenity linkages and view corridors;
- the visual amenity of open spaces, streets and the surrounding landscape.
- The relationship of the building to its neighbours in terms of its built form, and to other built elements in the Zone, including public open spaces.
- The relationship of parking, access and manoeuvring areas in respect of access point options for joint use of car parking and the safety of pedestrians.
- The extent and quality of any landscaping proposed and the effectiveness of proposed planting in enhancing the general character of the area, screening car parking areas, and the impact on residential uses.
- Compatibility with the New Zealand Urban Design Protocol, having regard to those assessment matters under 7.7.2 xiii Urban Design Protocol.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Height

When viewed from Gorge Road, the site is located at a lower elevation. Therefore the effects of a height breach when viewed from this elevation will be lessened. The residential sites to the north, on the opposite side of Boundary Street, are likely to be most affected by a maximum height breach. However, given that the properties are not facing the proposed site, the effects of this are anticipated to be less than minor.

Recession Planes

Recession planes rules, although required for all boundaries, are to prevent dominance effects on directly adjacent sites. Therefore, as there are no sites directly adjacent, the breach of this rule on internal boundaries is anticipated to be less than minor. In terms of the road boundary setbacks, should a breach be proposed, good design will contribute toward the feasibility of proposal.

Site Coverage

A breach of this rule is anticipated to have effects on persons or the environment that will be less than minor as all adjacent sites are owned by QLDC.

Setbacks

Internal boundary setback breaches are can be signed off by QLDC. Therefore internal boundary setback breaches will be feasible, and the site can be more easily and freely designed. In terms of the two road boundary setbacks, these will be looked at individually:

Gorge Road

Taking into account the surrounding environment and the location of multiple buildings in the vicinity located within the road boundary setback, there exists an argument for a similar breach to go ahead. This will of course largely depend on the design of the infringing portion of the building.

Boundary Street

A breach of this road boundary setback, although not likely to have major effects on the properties located on the opposite side of the road, should be well designed and result in good streetscape outcomes in order for the effects of this to be considered to be less than minor.

9. Queenstown Gardens



Zoning: Rural General

Designation: #205 – (Recreation Reserve – Queenstown Gardens)

Max Building Height:	8m
Recession Planes:	N/A
Maximum Site Coverage:	N/A
Setback Requirements:	Internal boundary setback – 15m Road boundary setback – N/A
Car Parking Requirements:	The parking requirement for offices is 1 per 50m ² GFA.

Resource Consent

The site is zoned Rural General. Therefore, resource consent will be required under the following provisions of the District Plan:

- A **discretionary** activity resource consent pursuant to Rule 5.3.3.3 i (a) (i) for a new building.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Although this application will trigger the requirement for multiple consents, due to the nature and scale of what is proposed, and the location, it will be assessed as follows:

Amenity

Currently, the location is used for recreational purposes, and is a relatively quiet area. The introduction of an office building for approximately 150 staff will significantly affect the amenity of the area; both in terms of the users of the garden and surrounding properties located on Park Street. Therefore, when looking at a proposal for this site, it is likely that more foot and vehicular traffic will be generated, and result in an increased ambient noise level. Further to this, the placement of a council office in this location will result in the minor loss of residential character due to the introduction of a land-use that, although is classed as a community facility, has similar effects to a commercial office.

Traffic

The placement of offices at the scale proposed will result in increased traffic movements along Park Street and surrounding streets. In addition, there will be increased parking along surrounding streets as it is unlikely parking will be provided for all staff. This additional on-street parking will contribute toward the loss of amenity.

Appearance

Given the location of the site being within the Queenstown Gardens, the building should be designed in a manner which will not detract from amenity of the gardens. The design and appearance of the building, especially in this location, will be key.

10. Horne Creek Recreation Reserve



Zoning: Rural General

Designation: #185 – (Recreation Reserve)

Protected Feature: #11 – Horne Creek (Landscape Feature)

Max Building Height: 8m

Recession Planes: N/A

Maximum Site Coverage: N/A

Setback Requirements: Internal boundary setback – 15m

Road boundary setback – N/A

Carparking Requirements: The parking requirement for offices is 1 per 50m² GFA.

Resource Consent

The site is zoned Rural General. Therefore, resource consent will be required under the following provisions of the District Plan:

- A **discretionary** activity resource consent pursuant to Rule 5.3.3.3 i (a) (i) for a new building.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Although the zoning of the site is Rural General, and the relevant rules will still be triggered, the assessment will be made whilst taking into account the existing environment and surrounding Town Centre and HDR land uses.

Amenity

Given the surrounding environment, the placement of an office building will be of a similar scale to the QRC building to the north, Novotel hotel to the west, and apartments to the east which are located at a higher elevation. Therefore in terms of bulk and location, given the relatively high density of the surrounding existing environment, the effects of a proposed QLDC office is anticipated to be less than minor. In terms of nature and type of land use, although different from visitor accommodation and education, the proposed office is considered to be compatible and will not adversely effects the environment.

Bulk and Location

As mentioned above, due to the presence of large buildings in the immediate surrounds, the establishment of a large building located close to property boundaries will not differ from what is existing. Having said this, it is still important that good site response is incorporated into the design and placement of the building.

In terms of height, although the maximum height for the Rural General Zone is 8m, a breach of this will be assessed in respect of the surrounding zones. Therefore a proposed building height of up to 12m may be feasible.

Traffic

The placement of offices at the scale proposed will result in increased traffic movements the surrounding streets. In addition, there will be increased parking along surrounding streets as it is unlikely parking will be provided for all staff. This additional on-street parking will contribute toward the loss of amenity for surrounding residential properties.

General

- Horne Creek is a protected landscape feature.
- Talk to QLDC Parks and Recreation Department around the loss of a portion of a reserve.

11. Queenstown Motor Park (Man Street)



Zoning: Queenstown Town Centre (Lakeview Subzone)

Designation: #211 – Recreation Reserve (Motor Park)

Max Building Height: 12m



(Extract from Lakeview Subzone Height Limit Plan)

Recession Planes: No

Maximum Site Coverage: 80%

- Setback Requirements:** Where the site adjoins a Low Density Residential or High Density Residential Zone or public open space the setback shall be 4.5m.
- Car Parking Requirements:** The parking requirement for offices is 1 per 50m² GFA.

Resource Consent

Given the zoning of the site is Queenstown Town Centre, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 10.6.3.2 vi for buildings located in the Lakeview sub-zone. Council’s control is with respect to:
 - Design, appearance, landscaping signage (which may include directional street maps), lighting, materials, colours and contribution to the character of the streetscape; and
 - The extent to which outside storage areas and outside parking areas are screened from view from public places;
 - The extent to which any fences, walls, landscaping forward of the front of buildings provide visual connections between any building and adjoining public spaces;
 - Urban design principles (contained in the assessment matters at 10.10.2);
 - The provision of pedestrian links through the sub-zone and between public spaces / reserve areas.
 - The provision of services.
 - The extent to which the design and setback of buildings erected at 34 Brecon Street and/or the Lakeview Camping Ground mitigates any adverse effects on the heritage values of the adjoining Queenstown Cemetery.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

In this instance there is a structure plan in place for the Lakeview Subzone, as illustrated below:



(Lakeview Subzone Structure Plan)

Should resource consent be applied for the use of this site, it is anticipated that it will potentially be the first major development within the subzone. Therefore it is important that the rules and

requirements are adhered to (or not strayed too far from) to set a good precedent for future development within the Lakeview subzone.

General

There is a protected tree located on the site. This may result in constraints in terms of buildable areas. Should this site be considered, consultation with the Council arborist is recommended.

12. Man Street Carpark



Zoning: Queenstown Town Centre (Town Centre Transition Subzone)

Max Building Height:	12m
Recession Planes:	No
Maximum Site Coverage:	80%
Setback Requirements:	Where the site adjoins a Low Density Residential or High Density Residential Zone or public open space the setback shall be 4.5m.
Car Parking Requirements:	The parking requirement for offices is 1 per 50m ² GFA.

Resource Consent:

Given the zoning of the site is Queenstown Town Centre, in the first instance resource consent will be required under the following District Plan provision:

- A **controlled** activity resource consent pursuant to Rule 10.6.3.2 i for a building in the Town Centre Zone. Council's control is with respect to Design, appearance, landscaping signage (which may include directional street maps), lighting, materials, colours and contribution to the character of the streetscape

In this instance the existing building will be altered to accommodation offices.

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Height

In this instance, a breach of the maximum height is anticipated to most adversely affect the properties to the north on the opposite side of Man Street due to the loss of amenity. Although given the sloping topography of the original ground level, the construction of a building up to the 12m maximum height closer to Man Street may provide for the potential to exceed this limit toward the southern portion of the site.

Traffic

Due to the site being located above an existing car parking complex, it is presumed that parking for the associated Council pool vehicles will be provided via this car park. Therefore the effects of this aspect of a potential application can be sufficiently managed.

The use of the site will potentially result in the further yellow-lining along the portion of Man Street in front of the subject site. However, given the congested nature of this length of Man Street, the reduction of parking along this section will likely improve accessibility.

13. 5-17 Church Street



Zoning: Queenstown Town Centre – Special Character Area (Precinct 1)

Designation: #80 - Carpark

Max Building Height: 12m

Recession Planes: No

Maximum Site Coverage: 80%

Setback Requirements: Where the site adjoins a Low Density Residential or High Density Residential Zone or public open space the setback shall be 4.5m.
In this case N/A

Car Parking Requirements: The parking requirement for offices is 1 per 50m² GFA.

Resource Consent

Given the zoning of the site is Queenstown Town Centre, in the first instance resource consent will be required under the following District Plan provisions:

- A **controlled** activity resource consent pursuant to Rule 10.6.3.2 i for a building in the Town Centre Zone. Council’s control is with respect to design, appearance, landscaping signage (which may include directional street maps), lighting, materials, colours and contribution to the character of the streetscape

Subject to design, further consent may be required for site and/or zone standard breaches in respect of the zoning and transportation.

Should the remainder of the existing Church Street building be used, given that parking can be provided through the Church Street underground parking complex, and the existing use of the building is for offices, the effects on the environment and persons are anticipated to be less than minor.

Although there may be temporary effects associated with the fit-out of the building, the on-going use as offices will be appropriate for the Town Centre Zone and will not be dissimilar from how it is currently tenanted and used.

Full Council

4 April 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [1]

Department: Corporate Services

Title | Taitara: Project Manawa Hearing Panel Deliberations and Recommendation

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to consider the Hearing Panel deliberations report and recommendation(s), following a special consultative procedure, on a proposed land strategy for the Stanley Street site and proposed joint ownership (with Ngāi Tahu Property Limited) and governance arrangements for the future civic administration building at the Stanley Street site. The Council is to consider the Hearing Panel recommendations and make decisions regarding the options outlined in the Project Manawa Statement of Proposal.

Recommendation | Kā Tūtohuka

That the Council:

1. **Note** the contents of this report and the deliberations report and recommendations of the Hearing Panel.
2. **Direct** the Chief Executive to undertake a review of the proposed Civic Administration Building location and ownership and report back to the Council on the following:
 - a. An update of financial and non-financial information upon which the Stanley Street site was identified as the preferred location for a one office solution, for comparison with similar information for an alternate site;
 - b. An update of the QLDC workplace travel plan for the Stanley Street site and an alternative site;
 - c. A review of the governance structure and funding options for building a Civic Administration Building on the Stanley Street site and an alternative site;
 - d. A proposal for subsequent consultation with the community on these matters;
3. **Adopt** Option 1 under Topic 1 – Land Exchange within the Project Manawa Statement of Proposal [refer pp 13 – 18 Project Manawa Statement of Proposal], namely the proposal to stop part of Ballarat Street and exchanging the freehold land created by stopping that road, with the reserve land to the east of the site, and exchanging freehold land from Robertson Street (or elsewhere) with the reserve land on the Stanley Street site [refer p 16 Project Manawa Statement of Proposal];

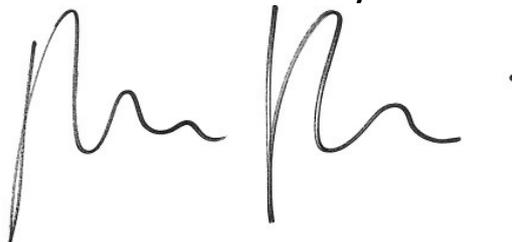
4. **Direct** the Chief Executive to report back to the Council with a scope of works programme for:
 - a. obtaining Ministerial approval for the stopping of Ballarat Street under the Public Works Act 1981; and
 - b. notifying the exchange of reserve land under the Reserves Act 1977 to achieve the proposed land exchanges;
5. **Agree** not to proceed with negotiating a joint venture partnership with Ngāi Tahu Property Limited (Topic 2) for the purpose of owning land jointly and/or owning, constructing and administering a new Civic Administration Building at this time, and any future ownership and/or governance arrangements with Ngāi Tahu Property Limited will be subject to the Chief Executive's review of the proposed Civic Administration Building location and ownership, and further consideration and approval by the Council; and
6. **Direct** the Chief Executive to report to the Council regarding the options to provide the maximum number of public car parks at the Stanley Street site for the medium term.

Prepared by:



Name: Paul Speedy
Title: Manager Strategic Projects
22 March 2024

Reviewed and Authorised by:



Name: Meaghan Miller
Title: General Manager Corporate Services
22 March 2024

Context | Horopaki

1. On 31 August 2023 the Queenstown Lakes District Council (QLDC) authorised officers to publicly notify the Project Manawa Statement of Proposal (SOP) for the purposes of a special consultative procedure (SCP). The SOP sought community feedback on two consultation topics: a land exchange strategy for the Stanley Street site (the Site) and joint venture partnership with Ngāi Tahu Property Limited (NTP), including governance arrangements for the future Civic Administration Building (CAB).
2. Consultation began on Monday 13 November 2023. It was originally scheduled to close on Sunday 17 December 2023 but was extended to Friday 22 December 2023. 178 submissions were received. The opportunity to participate was promoted across multiple channels. During the consultation period, four public drop-in sessions were held. Submitters were invited to speak at a hearing held on 19 February 2024. 27 members of the public presented submissions at the hearing.
3. The Council's consideration of the Hearing Panel deliberation and recommendation report will inform future decisions of the Council in respect of the Site, including future decisions on the underlying land interests, joint venture arrangements (CCO), advancing commercial discussions with NTP and land sales/revenue.

Analysis and Advice | Tatāritaka me kā Tohutohu

Site vision and proposal

4. Planning and decision making on Project Manawa is consistent with Vision Beyond 2050, the community-developed vision for the district which the Council committed to in March 2019. Project Manawa is guided by the Queenstown town centre masterplan (TCMP) which was endorsed by the Council in 2018 following extensive community engagement.
5. The Site was confirmed as the preferred location for the CAB by the Council in February 2016. The establishment of a civic axis and community heart precinct at the Site was identified as one of the 'key moves' in the TCMP which was endorsed by the Council in 2018. Funding towards the implementation of the vision was also approved through the 2018-2028 Ten Year Plan community consultation process.
6. A possible future built form was set out in the SOP at page 18 (site development plan) has been prepared and has taken an integrated development approach, considering wider Queenstown town centre projects and objectives e.g. a proposed public transport hub on Stanley Street.
7. Based on the vision for future development in the site development plan, the land strategy (Options 1 and 2 under Topic 1 in the SOP) provides for contiguous reserve land to optimise space at the heart of the precinct so that community assets and public space can be integrated within that vision for the Site. The future freehold land development opportunities (balance of the land) would unlock commercial value to offset delivery costs of community assets and support activation of the precinct.

8. A range of community facilities form part of the vision including a new purpose-built modern library, a central community meeting place for civic gatherings, a space for markets or cultural festivals, spaces for visual and performing arts, and shared public workspaces. All proposed facilities are subject to future funding decisions of the Council. Currently, the CAB (including an interim library space), proposed performing arts centre, and public space have been included in the 2021-31 Ten Year Plan.
9. Although, the SOP does not seek feedback on the future use of the Site, it identifies a range of possible development opportunities that would be unlocked if a whole of precinct land exchange is adopted, including commercial opportunities, retail and hospitality functions which will enhance the Site. Revenue from this could provide additional funding to create more affordable options to help deliver a range of possible community and civic facilities.
10. The SOP also sought feedback on two models for proposed joint venture governance arrangements (Topic 2 under the SOP) that provide for the future development and ownership of the CAB at the Site.

Submissions

11. Most submitters expressed a general opposition to Project Manawa as a whole, rather than addressing opposition to specific features of the options outlined. Key themes arising from submissions included concerns regarding locating the CAB at the Site, the need for further consultation on the location or the need for such facilities, the cost to ratepayers, and the relative priority of other infrastructure projects.
12. Submissions that specifically addressed the options proposed in the SOP, highlighted a need for further information on the proposals before being able to form an opinion, a loss of control of both the project and of QLDC assets should a partnership approach be taken, and that the options outlined do not provide the best outcome for residents. Concerns regarding pressures on scarce carparks in the CBD was another consistent theme.

Hearing Panel Deliberations

13. Although not the focus of the consultation, the majority of submitters raised concerns regarding future planning around the use of the Site, in particular, using it as the location of the CAB. A number of submitters expressed a preference for Frankton as an alternative location for the CAB. In addition, a majority of submitters highlighted concerns regarding the ability of the potential for the joint venture partnership with NTP to efficiently deliver the CAB, including due to a lack of detailed information.
14. Submitters however generally supported a “one office” solution for QLDC as preferable to the status quo with multiple leases/premises and that the Site (itself) was important to the community, with the potential to support a vibrant Queenstown town centre and district (for example) with arts/cultural and carparking facilities.
15. Many submitters highlighted concerns that establishing a CAB at the Site would increase congestion as QLDC staff would be required to enter the Queenstown town centre to increase pressure on scarce parking. However, a large number of staff already work in the town centre

and there would not be an increase in the movements in and out of Queenstown if the staff were to remain in the town centre.

16. In summary, the Hearing Panel recommendations include:

- a. Proceeding with Option 1 for the proposed land exchange (Topic 1) to optimise the potential opportunities with respect to the Site. Option 1 enables a whole of precinct solution that preserves reserve land around the historically important Ballarat Street axis, central to the Site, and unlocks more freehold land for future development and/or revenue-generation opportunities.
- b. That negotiations on the proposal for a joint venture partnership with NTP (Topic 2) should not proceed until further work and a review is undertaken on the preferred location for the CAB and any potential commercial arrangements, and further consideration and approval by the Council.
- c. Unlocking additional carparking at the Site to relieve carparking issues in the medium term.

17. The Queenstown town centre is the traditional urban centre for the Wakatipu Basin and the proposal does not have to be an “all or nothing approach”. The use, retention or disposal of the land following the various land exchanges can be determined subsequently by the Council.

18. Accordingly, the Hearing Panel recommends that the land exchange proposal should progress regardless of whether the Council decides to build the CAB at a different location and noting that the land exchange does not commit QLDC to establishing a joint venture partnership with NTP.

19. There are a number of steps to achieve the proposed land exchanges and the Council must be cognisant of the partnership with NTP and their various rights and interests in the Site, including a right of first refusal, and recommend officers report back to the Council on a scope of works for the proposed land exchanges.

20. The Hearing Panel’s deliberations report and recommendation(s) is provided as **Attachment B**.

Options for the Council

21. The Council is to consider the Hearing Panel recommendations which is based on the SOP and public submissions received, and the Council is to make decisions on the topics put out for consultation as set out in the SOP. This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

22. Within Topic 1 (land exchange strategy), the options include a whole of precinct land exchange for the Site, and an alternative limited land exchange. Within Topic 2 (joint venture partnership), the options include QLDC negotiating with NTP to establish a jointly owned CCO through a dedicated holding company, or negotiating QLDC having direct ownership of a 50% share in the CCO.

23. The Council also has the option to retain the status quo and not progress either the land exchanges or commence negotiations for the proposed joint venture partnership with NTP at this time.

Topic 1 – Proposed land Exchanges

24. Option 1: Adopt the whole of precinct land exchange proposal (Option 1 under Topic 1 in the SOP). This was the option recommended by the Hearing Panel.

Advantages:

- The proposed whole of precinct land exchange proposal will activate the Site by optimising future development of community assets at the heart of the Site, and unlocking more freehold land surrounding the reserve land to provide revenue generating opportunities to offset the costs of developing community assets.
- The Council would retain flexibility to make decisions regarding the future use of the Site, including developing community assets and revenue-generating opportunities at a later date.
- It is understood to be the preferred option of NTP, and would allow QLDC to work together with NTP to unlock the potential of the Site given the various land interests held by both parties.
- Consistent with the Hearing Panel’s recommendations.
- The land exchange will still enable the Council to explore making additional parking at the Site available pending decisions being made regarding the future use of the Site.

Disadvantages:

- The land exchanges can be staged but will take some time to deliver.
- The land exchanges increase freehold land at the Site on the assumption that it is preferable for enabling future options, rather than leaving the land with reserve status.
- A majority of submitters were opposed to the land exchanges proceeding until further consultation regarding the location of the CAB is carried out.

25. Option 2: Adopt the alternative limited land exchange (Option 2 under Topic 1 of SOP).

Advantages:

- It creates adjacent reserve land for public spaces and community assets in the future as future funding allows and freehold land for revenue generating opportunities.
- As a more limited land exchange proposal it may be possible to progress quicker than Option 1 above.
- The land exchange will still enable the Council to explore making additional parking at the Site available pending decisions being made regarding the future use of the Site.

Disadvantages:

- It is not a whole of precinct option, and limits opportunities for the Council to create an integrated development in the future.

- Less freehold land would be made available for revenue generating opportunities when compared with Option 1.
- A majority of submitters were opposed to the land exchanges proceeding until further consultation regarding the location of the CAB was carried out.
- Not supported by the Hearing Panel as does not provide a whole of precinct approach.

26. **Option 3:** Decline to proceed with the land exchange strategy at this time (do nothing). This would be a decision of the Council not to proceed with any option under the SOP and to retain the current mix of land parcels at the Site.

Advantages:

- Some members of the community may prefer retaining the current use/status of the various land parcels.
- The section of Ballarat Street between Henry Street and Stanley Street would not be stopped, which would maintain the current use of that road.
- The Council is still able to provide additional parking at the Site pending decisions being made regarding the future use of the Site.

Disadvantages:

- Not supported by the Hearing Panel.
- The activation of the Site will be delayed or impracticable.
- A holistic development approach to the Site is more difficult or impossible to achieve.
- Discussions with commercial parties will end as there is no certainty of direction, potentially foregoing revenue opportunities if future development opportunities cannot be realised.
- The Site would remain under-utilised by the Council for the foreseeable future.

Topic 2 – Proposed joint venture partnership with Ngai Tahu Property Ltd

27. **Option 4:** Direct officers to enter into negotiations with NTP to establish a joint venture partnership through a project specific holding company that is 100% owned and controlled by QLDC, which will own a 50% interest in a CCO established and responsible for overall governance of the development and ownership of the CAB at the Site.

Advantages:

- A dedicated holding company can be solely focused on the development and is not distracted with other matters of the Council.
- The dedicated company will report to the Council and seek decisions on key matters rather than the Council having to make all the decisions that may be required.
- There is clear responsibility and accountability for a dedicated board that could be changed to meet the Council's requirements.

Disadvantages:

- The Hearing Panel recommended that before further steps are taken in connection with establishing a CCO further analysis should be undertaken to determine whether the Site should remain the preferred location for the CAB or whether an alternative site would provide a better option and such deliberation could be useful to the Council.
- A majority of submitters oppose entering into a joint venture partnership with NTP to develop the CAB at the Site.

28. Option 5: Direct officers to enter into negotiations with Ngai Tahu Property Ltd to establish a joint venture partnership through a CCO established and responsible for overall governance of the development and ownership of the CAB, which is 50% owned and controlled by QLDC.

Advantages:

- The Council would have more direct control and influence of the construction and administration of the building if it had direct control of the development entity.

Disadvantages:

- A majority of submitters oppose entering into a joint venture partnership with NTP to develop the CAB at the Site.
- The Hearing Panel recommended that before further steps are taken in connection with establishing a CCO, further analysis should be undertaken to determine whether the Site should remain the preferred location for the CAB or whether an alternative site would provide a better option and such deliberation could be useful to the Council.
- The Council would need to take more time to focus on the development which consumes valuable time of the Council.
- The Council would be required to make more decisions and possibly under urgency which may be difficult given the Council's schedule.
- The Council may not be across all the issues on a construction site such as Health and Safety matters which may need to be dealt with quickly.
- It may be difficult for a third party to deal with the Council on a day to day basis rather than a dedicated entity.

29. Option 6: Decline to proceed with negotiations to establish a joint venture partnership with NTP at this time. This option was recommended by the Hearing Panel and any such negotiations are dependent on, and subject to, (a) the Chief Executive carrying out a review of the proposed CAB location and ownership (b) further consideration and approval by the Council; and (c) further engagement with the community as required.

Advantages:

- QLDC would have time to carry out further analysis to determine whether the Site should remain the preferred location for the CAB or whether an alternative site would provide a better option and such deliberation could be useful to the Council.

- A majority of submitters oppose proceeding with the joint venture partnership with NTP, and are likely to be supportive of further community engagement and analysis occurring.

Disadvantages:

- The opportunity to jointly develop the Site with NTP may be delayed or lost pending the outcome of further analysis and/or consultation regarding preferred location of the CAB.

30. This report recommends the Council adopt the recommendations of the Hearing Panel, namely proceed with the whole of precinct land exchange proposal (**Option 1**), and decline to proceed with the joint venture partnership with NTP at this time (**Option 6**), until the Chief Executive's review of the proposed CAB location and ownership is carried out, there is further consideration and approval by the Council, and further engagement with the community as required.

31. The whole of precinct land exchange proposal enables the Council to optimise future opportunities to develop community assets and revenue generation opportunities at the Site. The Council would retain flexibility as to the future use of the Site, and would not be bound to establish the new CAB or any specific facility at the Site. Decisions on future use of the Site could be made at a later date.

32. Community concerns regarding the need for further analysis and/or consultation regarding the Site remaining the preferred location for the CAB are acknowledged. By declining to progress the proposal to develop the joint venture partnership, the Council can ensure that the assumptions upon which the Site was identified as the preferred location remain sound.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

33. This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because Ballarat Street being part of the road network is listed as a strategic asset. The proposal to stop the legal road and then exchange the land with reserve land, in effect transfers ownership of that land to the Crown. Any decision relating to the sale or transfer or sale of shareholding of any strategic asset is assessed as a matter of high impact which is why the SCP was undertaken.

34. The local purpose reserve land on the Site is not listed as a strategic asset, however the proposed Reserves Act land exchange(s) process follow the SCP, including Ministerial approval.

35. The persons who are affected by or interested in this matter are the residents/ratepayers of the Queenstown Lakes District community, Te Rūnanga o Ngāi Tahu (Kāi Tahu), the Department of Conservation, the Ministry of Education, Ministry for Land Information New Zealand (LINZ) and current occupiers of the Site.

36. QLDC may request the Minister for Land Information to authorise the stopping of Ballarat Street pursuant to section 116 Public Works Act 1981 (PWA). Public notice is not required for the road stopping under the PWA, but consultation with internal stakeholders, iwi, and others may still be

required or deemed appropriate under QLDC policies or other legislation. In this case, the proposal is for QLDC and NTP to jointly approach the Minister.

37. The land exchanges under s 15 Reserves Act will take place in tandem (and does require public notice). The intention is for Council and NTP to jointly approach the Minister for Land Information (for the PWA stopping) and the Minister of Conservation (for the Reserves Act land exchanges) to ensure a coordinated approach.

Māori Consultation | Iwi Rūnaka

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

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

41. This matter relates to the Strategic/Political/Reputation risk category. It is associated with RISK10056 Ineffective provision for the future planning and development needs of the district within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating.
42. The approval of the recommended option will allow the Council to retain the risk at its current level. This will be achieved by enabling future decision-making options for the Council to develop the Site, supporting a well-functioning Queenstown town centre and district. Council will continue to maintain a positive working relationship with NTP in order to unlock the full potential of the Site.

Financial Implications | Kā Riteka ā-Pūtea

43. The Council's consideration of the land exchange scope of works programme and CAB location review will inform future consideration of Project Manawa costs and revenue. Initial costs for both of these workstreams require review and adjustments made to existing operational and capital expenditure budgets.
44. A detailed assessment of financial implications for the land exchanges can be reported to the Council with the scope of works programme. Depending on the outcome of the review the cost to locate, build and or lease a new council building will change, as may the costs associated with delaying investment in the current financial environment.

45. Some decisions may also require QLDC to continue to renew existing lease arrangements which to date have been predicated on a timeframe for occupation in new premises, which will be further delayed.

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

46. The consultation process is conducted in accordance with section 83 of the Local Government Act 2002. If the Council adopts the recommendations of the Hearing Panel, then it will need to seek Ministerial approval in accordance with s15 of the Reserves Act 1977 (swapping of reserve land) and the Public Works Act 1981 (stopping of part of Ballarat Street).

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

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

48. The recommended option:

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

Attachments | Kā Tāpirihaka

A	Submissions (received via Let's Talk and via email) (Circulated separately)
B	Hearing Panel's Deliberation Report

Minutes of an ordinary meeting of the Queenstown Lakes District Council held in the Council Chambers, 10 Gorge Road, Queenstown on Thursday 4 April 2024 commencing at 2.00pm

Present:

Mayor Glyn Lewers; Councillors Bartlett, Bruce, Cocks (online), Ferguson, Gladding, Guy, Smith, Tucker, White, Whitehead and Wong

In attendance:

Mr Mike Theelen (Chief Executive Officer), Mr Stewart Burns (GM Assurance, Finance and Risk) (online), Mr Tony Avery (GM Property and Infrastructure), Ms Michelle Morss (General Manager, Strategy and Policy), Mr Paul Speedy (Manager, Strategic Projects), Mr Quintin Howard (Property Director), Mr Caleb Dawson-Swale Business Planning Manager), Ms Charlotte Wallis (Business Planning Project Manager), Mr Paddy Cribb (Finance Manager), Mr Petri Conradie (Team Leader Management Accountants), Mr Luke Place (Principal Policy Advisor), Ms Carrie Williams (Policy Manager), Mrs Jeannie Galavazi (Principal Parks Planner), Mr Roger Davidson (Property Advisory – Team Leader), Mr Brendan Peet (General Counsel), Mr Jon Winterbottom (Governance Team Leader) and Ms Jane Robertson (Senior Governance Advisor); no members of the media and one member of the public

Apologies/Leave of Absence Applications

An apology for lateness was received from Councillor Cocks.

The following requests for Leave of Absence were made:

- Councillor Ferguson: 5-23 April 2024
- Councillor Bruce: 22-26 April 2024
- Councillor Bartlett: 23 April 2024
- Councillor White: 8 May and 25 September 2024

On the motion of the Mayor and Councillor Wong the Queenstown Lakes District Council resolved that the apology be accepted and the request for leave of absence be approved.

Motion carried.

Declarations of Conflict of Interest

Councillor Wong advised that he was a previous employee of the Kiwi Bird Life Park and currently a commercial operator on the same street as Kiwi Bird Life Park. Accordingly, he agreed to sit back from the table during item 5 and not take part in the discussion or voting.

Special Announcements

The Mayor acknowledged the recent naming of Dr Jim Salinger as New Zealander of the Year.

Public Forum

1. Pierre Marasti (Extinction Rebellion)

Mr Marasti noted that the world had just experienced its warmest February ever, March was trending similarly and temperature in the world's oceans had reached an all-time high. This was a bad situation but there was good news as the climate action website was operational and Rewiring Aotearoa had announced that electrification was the cheapest and most impactful climate action available. However, there was a blatant lie on the climate action website about emissions from air traffic that was unacceptable and needed correction. He made suggestions about other possible additions to the website.

Confirmation of Agenda

On the motion of the Mayor and Councillor Bruce the Queenstown Lakes District Council resolved that the agenda be confirmed without addition or alteration.

Motion carried.

Confirmation of minutes

15 February 2024 (Ordinary meeting)

On the motion of the Mayor and Councillor Whitehead the Queenstown Lakes District Council resolved that the minutes of the ordinary meeting of the Queenstown Lakes District Council held on 15 February 2024 be confirmed as a true and correct record.

Motion carried.

Councillor Cocks joined the meeting on line at this point.

1 **Project Manawa Hearing Panel Deliberations and Recommendation**

A report from Paul Speedy (Manager, Strategic Projects) presented the deliberations report from the Hearing Panel and its recommendations on a proposed land strategy for the Stanley Street site, proposed joint ownership (with Ngāi Tahu Property Limited) and governance arrangements for a future Civic Administration Building ('CAB') at the Stanley Street site. The report recommended that the land swap be approved but that the Joint Venture with Ngāi Tahu Property Limited not proceed.

The report also detailed a number of areas of further investigation into the proposed CAB for the Chief Executive to undertake.

Mr Speedy presented the report.

Councillor Cocks (as chair of the Hearing Panel) explained the hearing, deliberations and decision-making process of the Hearing Panel. In response to questions, he confirmed that the overall land strategy could proceed without a partnership with Ngāi Tahu Property Ltd or alternative land models being progressed but he expected that any partnership, the scope of works to achieve the land swap (and costs) along with other information unknown at this stage would be part of the proposed future report, if the Council was of a mind to approve the recommendation.

It was moved (the Mayor/Councillor White):

That the Queenstown Lakes District Council:

- 1. Note the contents of this report and the deliberations report and recommendations of the Hearing Panel.**
- 2. Direct the Chief Executive to undertake a review of the proposed Civic Administration Building location and ownership and report back to the Council on the following:**
 - a. An update of financial and non-financial information upon which the Stanley Street site was identified as the preferred location for a one office solution, for comparison with similar information for an alternate site;**
 - b. An update of the QLDC workplace travel plan for the Stanley Street site and an alternative site;**
 - c. A review of the governance structure and funding options for building a Civic Administration Building on the Stanley Street site and an alternative site;**
 - d. A proposal for subsequent consultation with the community on these matters;**
- 3. Adopt Option 1 under Topic 1 – Land Exchange within the Project Manawa Statement of Proposal [refer pp 13 – 18 Project Manawa Statement of Proposal], namely the proposal to stop part of Ballarat Street and exchanging the freehold land created by stopping that road, with the reserve land to the east of the site, and exchanging**

- freehold land from Robertson Street (or elsewhere) with the reserve land on the Stanley Street site [refer p 16 Project Manawa Statement of Proposal];
4. Direct the Chief Executive to report back to the Council with a scope of works programme for:
 - a. obtaining Ministerial approval for the stopping of Ballarat Street under the Public Works Act 1981; and
 - b. notifying the exchange of reserve land under the Reserves Act 1977 to achieve the proposed land exchanges;
 5. Agree not to proceed with negotiating a joint venture partnership with Ngāi Tahu Property Limited (Topic 2) for the purpose of owning land jointly and/or owning, constructing and administering a new Civic Administration Building at this time, and any future ownership and/or governance arrangements with Ngāi Tahu Property Limited will be subject to the Chief Executive's review of the proposed Civic Administration Building location and ownership, and further consideration and approval by the Council; and
 6. Direct the Chief Executive to report to the Council regarding the options to provide the maximum number of public carparks at the Stanley Street site for the medium term.

Councillor Bartlett advised that he wished to amend part (2) of the resolution to include the parts of the hearing panel report that had not otherwise been included in the recommendation. He presented his proposed amendment and following further discussion (and with the agreement of the seconder), 'locations' was changed to 'sites.'

It was moved (Councillor Bartlett/Councillor Whitehead):

That part (2) of the resolution be amended to read that the Queenstown Lakes District Council:

2. Direct the Chief Executive to undertake a new assessment of options, including sites outside the Queenstown CBD, for the location and ownership of the proposed Civic Administration Building, and report back to the Council on the following:

- a. An update of financial and non-financial information upon which the Stanley Street site was identified as the preferred location for a one office solution, for comparison with similar information for alternative locations, including but not limited to assessing the main themes arising from the consultation, use of the public and active travel networks, costs of building on flat sites vs inclined, and any other relevant criteria;
- b. An update of the QLDC workplace travel plan for the Stanley Street site and alternative locations;
- c. A review of the governance structure and funding options for building a Civic Administration Building on the Stanley Street site and alternative locations;
- d. A proposal for subsequent consultation with the community on these matters;

The amendment was put and **carried** and became part of the substantive motion.

Councillor Gladding advised that she wished to amend parts 3-6 of the original motion. Her intention was to reflect more closely the decision of the hearing panel, take out any possibility of forming a Council Controlled Organisation, avoid proceeding at this time with the land exchange and to facilitate options for a temporary carpark on the site. She also wished to avoid use of the word 'adopt' as she considered the Council needed to have greater overall understanding of the project's value before adopting any proposal.

It was moved (Councillor Gladding/Councillor Whitehead):

That parts (3)-(6) of the resolution be amended to read that the Queenstown Lakes District Council:

3. **Agree to further investigate Option 1 under Topic 1 – Land Exchange within the Project Manawa Statement of Proposal (refer page 13 – 18 Project Manawa Statement of Proposal), namely the proposal to stop part of Ballarat Street and exchanging the freehold land created by stopping that road, with the reserve land to the east of the site, and exchanging freehold land from Robertson Street (or elsewhere) with the reserve land on the Stanley Street site (refer page 16 Project Manawa Statement of Proposal); and**
4. **Direct the Chief Executive to report back to the Council with a scope of the works programme for:**

- a. **obtaining Ministerial approval for stopping of Ballarat Street under the Public Works Act 1981, including the value of any sum payable to the Crown to achieve equality of exchange; and**
 - b. **notifying the swapping of reserve land under the Reserves Act 1977 to achieve the proposed land exchanges; and**
 - c. **Agreeing terms for the joint land exchange with Ngai Tahu Property; and**
 - d. **Bringing the matter back to full Council for a decision on whether to proceed with the land exchange.**
5. **Agree not to proceed with the establishment of a Council Controlled Organisation jointly owned with NTP for the purpose of owning land jointly and/or owning, constructing and administering a new Civic Administration Building at this time;**
6. **Direct the Chief Executive to report to Council regarding the options to provide car parking at the Stanley Street site for the medium term.**

The Mayor agreed to take each part of the amendment separately.

Part (3) of the motion was put and **lost** (6:6) on a show of hands and with the Mayor exercising his casting vote against the amendment.

Part (4) of the motion was put and **lost** (7:5) on a show of hands.

Part (5) of the motion was put and **lost** (8:4) on a show of hands.

Part (6) of the motion was put and **lost** (6:6) on a show of hands and with the Mayor exercising his casting vote against the amendment.

The meeting returned to the original motion (as amended).

Following discussion the Mayor agreed to take parts (1) and (2) of the substantive motion together, (3) and (4) separately and (5) and (6) together.

Parts (1) and (2) were put and **carried** (10:2) on a show of hands with Councillors Gladding and Wong recording their votes against the motion.

Part (3) was put and **carried** (6:6) on a show of hands and with the Mayor exercising his casting vote in favour of the motion.

Part (4) was put and **carried** (6:6) on a show of hands and with the Mayor exercising his casting vote in favour of the motion.

Parts (5) and (6) were put and **carried** with Councillor Whitehead recording her vote against the motion.

The Mayor thanked Councillor Cocks for chairing the hearing panel and acknowledged the efforts of the many members of the community who had made submissions.

The meeting adjourned at 3.35pm and reconvened at 3.40pm.

2. **Adopt User Fees and Charge draft Statement of Proposal**

A report from Charlotte Wallis (Business Planning Project Manager) presented a Statement of Proposal that proposed increases to fees and charges across a number of activity areas. Fees and charges needed to be reviewed and set ahead of the start of the financial year, coming into effect on 1 July 2024, meaning that consultation had to be completed ahead of this year's LTP process.

The Statement of Proposal proposed increases to user fees and charges in the following activity areas:

- a. Environmental health
- b. Sports and recreation
- c. Community facilities/Park and reserves
- d. Library services
- e. Planning and development
- f. Parking
- g. Mooring and jetty fees
- h. Wānaka Airport landing fees

The report also asked the Council to establish a hearing panel of four members (of which three were required to form a hearing panel) to hear submissions and make a recommendation to Council on the user fees and charges for the financial year 2024/2025.

Mr Burns, Mr Avery, Mr Cribb and Mr Conradie presented the report.

Members were critical of the quantum of increase proposed for moorings and jetties fees (rising from \$250-\$290 to \$800). The Chief Executive agreed that it was a substantial increase but noted that fees had not changed since 2011 and they would be reviewed more regularly in the future. The increase was an inflationary adjustment, reflected the funding and finance policy and the need to recover costs.

Members sought clarification on what activities the moorings and jetties fees covered. In response, it was noted that the administration fee was increasing from \$250.00 to \$330.00 per annum, whilst an annual inspection would be \$500.00 and a biennial inspection \$660.00.

Questions were raised about the adequacy of the moorings and jetties fees explanation provided in the Statement of Proposal in light of the significance of the increase. The Chief Executive noted that the text could be extended and members agreed that the commentary should be redrafted to detail the options available with respect to annual vs. biennial inspections and to provide a more comprehensive cost allocation. It was agreed that the resolution should reflect this change and the draft Statement of Proposal should be adopted subject to these changes.

Councillor Cocks left the meeting at 3.50pm.

On the motion of the Mayor and Councillor Bruce it was resolved that the Queenstown Lakes District Council:

- 1. Note the contents of this report;**
- 2. Adopt the user fees and charges draft Statement of Proposal for consultation with reference to the funding and financial policy in accordance with section 83 of the Local Government Act 2002 (LGA subject to the following changes:**
 - a. Inclusion of the biennial and annual jetties and mooring fees (and accompanying proposed fee schedule for financial year 2024/2025); and**
 - b. An expanded contextual explanation of the proposed fees for jetties and moorings;**
- 3. Appoint a hearings panel of four members [Councillor Bartlett, Councillor Tucker, Councillor Guy and Councillor Gladding] of whom three are required to form a hearing panel to hear submissions and make a recommendation to Council on the user fees and charges for the financial year 2024/2025.**

The motion was put and **carried** with Councillors Smith and White voting against the motion.

3. Policies for Revocation and Archiving

A report from Carrie Williams (Policy Manager) identified existing Council policies that were no longer needed (or had been superseded by other policies) and proposed that they be formally revoked so that they could be archived.

Ms Williams and Ms Morss presented the report. It was confirmed that a similar project was planned with respect to strategies although there were not as many of these with which to deal.

Councillor Bartlett made the following corrections to the list of policies:

- “Replanting of trees, particularly the replacement of poplars and other trees on rural roads” was a single policy and not two as indicated in the recommendation;
- “Application of Tender Policies to Associated Organisations 2004” was identified in the attachment but not included in the recommendation;
- “Project Initiation and Approval Process 2006” was identified in the attachment but not included in the recommendation;
- Incorrect date on “Damage to Street Frontages during Property Development Activities”: should be 1993;
- The date shown against RMA policies showed only the dates of the policy adoption and not of the Act (1991)

On the motion of Councillor Gladding and Councillor Whitehead it was resolved that the Queenstown Lakes District Council:

1. **Note the contents of this report;**
2. **Endorse the revocation and archiving of the following policies:**
 - **Frankton Golf Course 2011**
 - **Freedom Camping Policy 2010**
 - **Replanting of Trees Particularly the Replacement of Poplars and Other Trees on Rural Roads 2010**
 - **Indigenous Vegetation Policy 2003**
 - **Lake Islands Fire Restrictions Policy 2003**
 - **Consultation Policy 2005**
 - **Computer Access for Councillors 2004**
 - **Local Body Elections General Elections Hoardings 1999**
 - **Council meetings – Staff 1997**

- Council meetings mobile phones 1995
- Council meetings eating 1990
- Residency Supporting Applications 1990
- Signs Provisions and Enforcement 2006
- Financial Contributions headworks policy 2001
- Change in funding policy for roading Wānaka Ward 2001
- Policy on the Resource Consent Appeal Process 2008
- Policy on requests for confidentiality under section 42 of the RMA 1991 (2002)
- Policy for the waiver of requirement for Outline Plan (Unknown date)
- Infrastructure Services Consultant Procurement 2012
- Application of Tender Policy to Associated Organisations 2004
- Crown Range Road Vehicle Restrictions 2005
- Street Lighting on Private Roads 2003
- Wānaka and Hāwea Landfill Sites Policies 1998
- Ground Opening Policy 1997
- Project Initiation and Approval Process 2006
- Damage to Street Frontages during Property Development Activities 1993
- Project Initiation and Approval Process 2006
- Elderly Persons Housing Policy 2000
- Community Housing Policy 2006
- Council role in genetic engineering 2004

Motion carried.

4. **Retrospective approval of Queenstown Lakes District Council submission to the Ministry for the Environment**

A report from Luke Place (Principal Policy Advisor) discussed and appended the Council's submission to the Ministry for the Environment on the proposed Transitional National Planning Framework. The new government had repealed the proposed Resource Management Act 1991 (RMA 1991) reforms but the Council's submission

remained relevant as it would be used to help inform any future national direction work programme.

Mr Place and Ms Morss presented the report.

On the motion of Councillor Wong and Councillor Tucker it was resolved that the Queenstown Lakes District Council:

- 1. Note the contents of this report;**
- 2. Approves retrospectively the contents of the feedback to the Ministry for the Environment on the draft transitional National Planning Framework.**

Motion **carried**.

Councillor Wong sat back from the table.

5. Request to extend the lease to Kiwi Birdlife Park Limited

A report from Quintin Howard (Property Director) assessed an application from Kiwi Birdlife Park Limited to extend its current lease of reserve land for a further 15 years, thereby changing the expiry date of the lease from 1 July 2032 to 30 June 2047. The report recommended that the extension be approved, split as an initial term of five years from 1 July 2032 with two rights of renewal for terms of five years each.

Mr Howard and Mr Avery presented the report and that following. Mr Howard confirmed that the lease conditions proposed were in line with the Council's funding policy and the renewal sought was to give certainty to the business.

On the motion of Councillor Ferguson and Councillor Gladding it was resolved that the Queenstown Lakes District Council:

- 1. Note the contents of this report;**
- 2. Agree to the exercise of the Minister's consent (under delegation from the Minister of Conservation) to the granting of the Extended Term to KBPL on the following terms:**
 - a. The total period of the Extended Term will be for fifteen (15) years being an initial term of five (5) years each from 1 July 2032 with two (2) rights of renewal for terms of five (5) years each.**

- b. The annual rent payable from 1 July 2032 shall be a sum equal to 7.5% of Gross Receipts for the period from 1 July to 30 June in each year or such percentage amount prescribed by the Community Facility Funding Policy for a ground lease of Council land, whichever is the greater.
 - c. The annual rent payable shall be reviewed every two (2) years during the Extended Term at QLDCs election in accordance with any increases or decreases in the percentage amount for a ground lease of Council land as prescribed in the Community Facility Funding Policy or its successor policy.
3. Approve the registration of a new Lease Instrument to extend the Leasehold estate comprised in Record of Title 795902 created under instrument 6359549.5 and renewed under instrument 10681701.1, and approve the registration of an easement instrument creating rights of way appurtenant to Section 1 SO 24407, Lot 1 DP 345184 & Part Section 131 Block XX Shotover Survey District and an easement instrument creating an access and parking easement appurtenant to Lot 1 DP 345184 & Part Section 131 Block XX Shotover Survey District as granted under the Lease and created under instrument 6359549.5.
4. Delegate authority to approve final terms and conditions and signing authority to the General Manager Community Services.
5. Agree to the exercise of the Minister's consent (under delegation from the Minister of Conservation) to the granting of the Extension to KBPL over the Reserve Land.

Motion carried.

Councillor Wong rejoined the table.

6. Electrical services easement for Aurora Energy, at the Frankton Marina Local Purpose (Marina) Reserve

A report from Quintin Howard (Property Director) assessed an electrical services easement in favour of Aurora Energy over Local Purpose (Marina) reserve, Section 53 Block XXI Shotover SD, at the Frankton Marina. The report recommended that the easement be granted and further, that no public notification of the proposal was required because there would be no long-term change to the use or appearance of the reserve land of permitting the easement.

Councillor Gladding asked why the report concluded that approval of the application would not have a permanent effect on the reserve because the transformer would fill a space of 12m², was above ground and its operation made a noise. In light of this she considered therefore that public notification of the proposal was necessary. She asked for voting on parts 2 and 3 of the recommendation to be taken separately.

**It was moved (Councillor Smith/Councillor Bruce)
That the Queenstown Lakes District Council:**

- 1. Note the contents of this report;**
- 4. Require that easement fees are charged, in accordance with Council's Easement Policy 2008, payable before the registration of the easement;**
- 5. Require that the construction methodology is first provided to the General Manager, Property & Infrastructure for consideration and approval as appropriate, prior to any works occurring on the reserve; this shall acknowledge the presence of Council infrastructure in the same location;**
- 6. Delegate authority to approve final terms and conditions of the easement and execution authority, to the General Manager Community Services; and**
- 7. Agree to exercise the Minister's consent (under delegation from the Minister of Conservation) to grant a service easement to Aurora Energy Limited over Local Purpose (Marina) reserve, legal description Section 53 Block XXI Shotover SD.**

Motion carried with Councillor Gladding recording her vote against the motion.

**It was moved (Councillor Smith/Councillor Bruce)
That the Queenstown Lake District Council:**

- 2. Approve an electrical services easement to Aurora Energy Limited, over Section 53 Block XXI Shotover SD, subject to Section 48 of the Reserves Act;**
- 3. Agree that public notification of the intention to grant the electrical services easement is not required, as the**

statutory test in Section 48(3) of the Reserves Act 1977 is met for the reasons set out in this report.

Motion **carried** with Councillor Gladding voting against the motion.

7. Chief Executive's Report

A report from the Chief Executive presented:

- a. A procurement plan for insurance brokerage and associated insurance policies;
- b. Advice of Councillor Ferguson (as Chair of the Community & Services Committee) having recently approved a Rates Remission Application from the Wānaka Community House Charitable Trust;
- c. Request for approval of a Study Tour by the Chief Executive to attend an Infrastructure NZ Conference in the United Kingdom in June 2024;
- d. Recommendations for approval of policies that had been considered by standing committees: (1) QLDC Fraud Policy 2024 (2) QLDC Tree Policy 2023;
- e. A summary of items considered over the previous period by standing committees and the Wānaka-Upper Clutha Community Board.

The Chief Executive confirmed that approval of the procurement plan delegated authority to go to market to obtain insurance cover. This did not represent a significant cost, but it was anticipated that the cost of actual insurance would be a significant figure and would ultimately be presented for Council approval.

There was further discussion about the QLDC Tree Policy 2023 and its potential effect on the historic trees in Arrowtown. Mrs Galavazi joined the table and explained that local tree strategies could be developed and enabled communities to manage their own tree stock.

Councillor Gladding advised that she wished to raise an amendment to the proposed QLDC Fraud Policy 2024, which was recommended for adoption by the Audit, Finance & Risk Committee.

**It was moved (the Mayor/Councillor Bartlett)
That the Queenstown Lakes District Council:**

- 1. Note the contents of this report;**
- 2. Delegate to the Chief Executive the power to approve a Procurement Plan for insurance brokerage and**

associated insurance policies, enabling Council to go to open market to procure Insurance Brokerage Services;

3. Note that officers will bring back a recommendation to enter into an agreement with the preferred supplier for Insurance Brokerage Services for approval by Council;
4. Note that Councillor Ferguson has acted in his capacity as Chair of the Community & Services Committee and counter-signed a rates remission application approved for the Wānaka Community House Charitable Trust for the 2023/24 financial year;
5. Approve the request for the Chief Executive to take part in an international delegation organised by Infrastructure New Zealand travelling to London, Manchester and Cardiff 16-22 June 2024;
6. Adopt the QLDC Fraud Policy 2024;
7. Resolve that the QLDC Fraud Policy 2024 will come into effect on 4 April 2024 and that the Fraud Policy 2017 shall be revoked on 4 April 2024;
8. Adopt the QLDC Tree Policy 2023; and
9. Resolve that the QLDC Tree Policy 2023 come into effect on 4 April 2024 and that the QLDC Tree Policy 2022 shall be revoked on 4 April 2024.

It was moved as an amendment (Councillor Gladding/Councillor Whitehead):

That the Council agree to adopt the QLDC Fraud Policy 2024 with the following addition to the definition of 'Fraud' in section 3 of the policy:

The disclosure of confidential information by elected members, will be considered fraud, when it is an intentional act involving the use of deception to obtain unjust or illegal advantage, including where the release constitutes deception, corruption, misrepresentation, or omission committed with the intention of gaining an unjust or illegal financial advantage or to cause an unjust or illegal loss or disadvantage. The Code of Conduct for elected members provides obligations regarding the disclosure of confidential

information by elected members, where that disclosure is not an intentional act involving the use of deception to obtain unjust or legal advantage.

Councillor Gladding advised that the intention of the amendment was to remove any risk that an elected member releasing information to the media could be deemed 'fraud.'

Councillor Guy noted that the amendment had also been considered at the recent meeting of the Audit, Finance & Risk Committee but had not been approved because it had been considered that in order for an action to be considered fraud there needed to be an intent of deception and personal gratification which set an initial very high bar.

As a compromise, Councillor Bartlett suggested that the 'Definition' be the definition and the list following be added as an advice note. The Mayor did not consider that this was necessary.

The amendment was put and **lost**.

The Council returned to the substantive motion which was put and **carried**, with Councillor Gladding recording her vote against the motion.

RESOLUTION TO EXCLUDE THE PUBLIC

On the motion of the Mayor and Councillor Bruce the Queenstown Lakes District Council resolved that the public be excluded from the following parts of the meeting:

The general subject of each matter to be considered whilst the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Agenda items

- Item 7A: Chief Executive's Report – Settlement Agreement and Variation of Development Agreement with Kingston Village Limited (KVL)
- Item 8: Morven Ferry Road Stopping and Sale – MSL Quad Ltd

General subject to be considered.	Reason for passing this resolution.	Grounds under Section 7 for the passing of this resolution.
<p>7A. Chief Executive’s Report – Settlement Agreement and Variation of Development Agreement with Kingston Village Ltd</p>	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of information is necessary to:</p> <p><i>Section and Grounds</i> g) protect legal professional privilege</p> <p><i>Reason for recommendation</i> The report contains legal advice in relation to the settlement of a dispute between Council and a developer about the operation of a development agreement. The legal advice includes content which is relevant to the strengths and weaknesses of Council’s legal position. The agreement is ongoing and keeping Council’s legal advice confidential is necessary to protect Council from the risk of its legal advice being used in evidence against it in a future dispute, whether by the developer or another party. Waiver of Council’s legal professional privilege in this instance may also expose Council to an obligation to disclose other related legal advice that is even more sensitive in nature. Separately to this legal advice, Council is providing the community with publicly available information including updates on the project. For these reasons the public interest considerations for disclosure are outweighed by the need to preserve legal professional privilege.</p>	<p>Section 7(2)(g)</p>

General subject to be considered.	Reason for passing this resolution.	Grounds under Section 7 for the passing of this resolution.
8. Morven Ferry Road Stopping and Sale – MSL Quad Ltd	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of information is necessary to:</p> <p><i>Section and Grounds</i></p> <p>i) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations);</p> <p><i>Reason for recommendation</i></p> <p>To enable the vendor and purchaser to complete contract negotiations in a private and confidential environment, without undue influence from other parties.</p>	Section 7(2)(i)

This recommendation is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6 or Section 7 or Section 9 of the Official Information Act 1982 as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above with respect to each item.

The meeting went into public excluded at 5.30pm at which point it adjourned and Councillor Gladding left the meeting; it reconvened in public excluded at 5.34pm.

PUBLIC EXCLUDED

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

The meeting concluded at 5.43pm.

MAYOR

DATE

**QLDC Council
24 February 2016**

Report for Agenda Item: 1

Department: Corporate Services

Proposed Council Accommodation

Purpose

This report seeks a Council decision to include funding in the 2016/17 Annual Plan to develop a proposal for a 'one office' Council office accommodation building by 2018.

Public Excluded

It is recommended that portions of Attachment B to this report (Commercial Property Assessment Report) are considered with the public excluded in accordance with the Local Government Official Information and Meetings Act 1987 on the grounds that withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, commercial activities; and enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations); and prevent the disclosure or use of official information for improper gain or improper advantage.

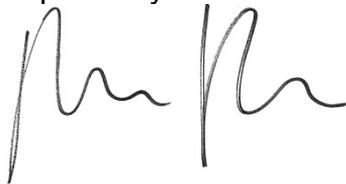
Recommendation

That Council:

1. **Note** the contents of this report and the report prepared by Colliers International Queenstown dated November 2015 (Attachments A and B);
2. **Agree** that the Council considers a proposal to develop a 'one office' Council office accommodation by 2018 and support the provision of \$250,000 in the 2016/17 Annual Plan (as a maximum placeholder) for project investigation, planning and design,.
3. **Confirm** that the Council's preferred location for a future Council office building is the Queenstown CBD, in accordance with the Queenstown Town Centre Strategy 2009 (section 8.1), subject to an assessment of any consenting, designation or similar issues;
4. **Confirm** that any proposal would require:
 - a. The proposed building be constructed on a Council-owned site.
 - b. Further consideration of the merits or legality of a joint venture versus a Council-owned option.
 - c. The proposed building be capable of accommodating all Queenstown-based Council office staff with an acceptable provision for growth.

- d. Further consideration of the 2020 Frankton Library Hub as included in the current 10 Year Plan with potential to either bring the 2020 proposal forward or develop an interim library solution for implementation in 2018.
 - e. Consultation on the proposal detail and options in the 2017/18 Annual Plan. noting this as an amendment to the 10 Year Plan [Local Government Act 2002 Section 93(4)]
5. **Agree** that the Chief Executive be delegated to undertake project investigation, planning and design for the proposal with the intention of including a budget for construction in the 2017/18 Annual Plan as a variation to the 10 Year Plan.

Prepared by:



Meaghan Miller
General Manager
Corporate Services

9/02/2016

Reviewed and Authorised by:



Stewart Burns
Acting Chief Executive

9/02/2016

Background

- 1 On 26 August 2015 on the motion of The Mayor and Councillor Cocks the Council made the following resolution:
 - a. Note that the current Gorge Road premises do not meet the current and future needs of the Council;
 - b. Agree that the Emergency Operations Centre needs to be immediately relocated to the Queenstown Events Centre;
 - c. Direct the Chief Executive to conclude negotiations to meet the immediate accommodation space requirement for the next 2-5 years in the Queenstown CBD; and
 - d. Direct the Chief Executive to submit a report to the November 2015 Council meeting reviewing all previous information reported to the Council and undertaking further evaluation of all potential solutions for Council and library accommodation which includes:
 - i. Options for public private ownership
 - ii. Use for the Gorge Road premise
 - iii. Potential locations

iv. Detailed costing comparisons and timelines

- 2 The Chief Executive engaged Colliers International Queenstown to produce a professional, independent property report to evaluate solutions and options as outlined (Attachment A and B).
- 3 It is important to note that the Council resolution of the 26 August 2015 that the Gorge Road premise does not meet the current and future needs of the Council was made after the adoption of the 10 Year Plan (June 2015).

Comment

- 4 Colliers was engaged to produce a report in accordance with the resolution (Attachment A). The report contains a commercially sensitive chapter on cost comparison (Attachment B – public excluded).
- 5 After considering several sites the report recommends the development of ‘one office’ on a Stanley Street site. Whilst the Colliers report considers a joint venture option is financially viable, leasing options are likely to be restrictive if reserve land is utilised for any new Council accommodation (see Stanley Street legal opinion Attachment C). Therefore this report recommends further consideration of the merits of a joint venture versus Council ownership.
- 6 Further to this Council must consider and weigh the benefit and prudence of retaining community ownership of the civic building for the long term.
- 7 Although the Council must consider options regarding the location of the office accommodation (eg, Queenstown CBD versus Frankton), the Queenstown Town Centre Study 2009 states (section 8.1) that Queenstown is the “civic heart” of the district. The strategy reinforces that it is appropriate for Council offices to be located in the town centre. Objective 5 (p.5) of the strategy states that: “The town centre retains key civic and community functions that underpin its relevance to the local community.”
- 8 This premise is further underlined in the 2015 Downtown Commercial Strategy (section 9.1.0) which states that Council offices are: “a key anchor for the town centre”. It describes retention of the office in the town centre as being: “vital for continued local and commercial community relevance.” (p.78).
- 9 The Colliers report echoes the August resolution by Council that the Gorge Road premise “does not meet the current and future needs of Council”. The Colliers report recommends a medium term outcome to provide one Council office, located on Council-owned land in Queenstown. The report points to efficiencies, consolidation, enhanced customer service and the need for the alignment of property to the business of Council that would be provided by an accommodation solution contained within one building (page 28). Currently the Queenstown Council offices are located across four sites (including the Queenstown Events Centre).
- 10 Further, Colliers has outlined that if the Council was minded to agree to the medium term solution (2018), the disposal of the Gorge Road premise becomes an inevitable outcome. As recommended it is intended that Council would

dispose of the building subject to a valuation, a report on earthquake mitigation work and a proposal for disposition in accordance with the Council's Property Sale and Acquisition Policy 2014 (Attachment D).

- 11 Colliers point to several options that exist for the 400sqm library including an interim shop front library presence in the Queenstown CBD with the 'back-of-house' located at Frankton. The report has not considered the library to be part of the 'one office' solution as the Council has confirmed a Frankton Library hub for 2020. It is feasible that a shop front, Queenstown-based library could be co-located with a Queenstown-based 'one office' solution as part of the medium term solution (2018).
- 12 It should be noted that in accordance with the resolution of August 2015, negotiations were completed to enable staff to relocate from the top floor of Shotover Street, with Infrastructure and IT staff now occupying an office in Church Street.

Options

- 13 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:

14 Option 1 *Do nothing*

Advantages:

- 15 There would be no change for members of the public accustomed to the current level of service delivered from several different sites and short term, no financial implication for ratepayers.

Disadvantages:

- 16 Given the Gorge Road premise has been found 'not' to meet the current or future needs of the Council, doing nothing would fail to plan prudently for the future needs of the organisation and community.

17 Option 2 *Develop 'one office' Council accommodation in the Queenstown CBD*

Advantages:

- 18 Customer convenience and an enhanced Level of Service.
- 19 Council will enjoy efficiencies and culture benefits from operating under one roof in a space that meets the needs of the business, the elected members and the community.
- 20 Better outcomes in terms of staff recruitment and retention.
- 21 The Queenstown CBD will be supported through the retention of the District's biggest employer and the business and professional hub that surrounds Local Government in accordance with the Queenstown Town Centre Strategy.

- 22 The liquidation of the Council-owned Gorge Road premise can offset the costs of a build.
- 23 Maximisation of Council-owned land.
- 24 Savings on annual lease costs (Church Street and Shotover Street).

Disadvantages:

- 25 Although there will be a cost offset and the intention is to utilise Council-owned land, if the building is Council owned as opposed to a joint venture then there will be a loan funded component and therefore a yet to be confirmed ratepayer cost (detail to be consulted through the 2017/18 Annual Plan).
- 26 Additional travel movements on Frankton Road, as opposed to a Frankton-based office.
- 27 This report recommends **Option 2** for addressing the matter for all the reasons set out above and contained in the Colliers report.

Significance and Engagement

- 28 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy. Disposal of the Gorge Road premise, the potential utilisation of Council reserve for the purposes of developing Council accommodation and the cost of delivering a 'one office' solution are all deemed to be of high community interest. For this reason the proposal is recommended to be subject to the special consultative procedure through the Annual Plan 2016/17 and 2017/18 as a variation to the 10 Year Plan.

Risk

- 29 This matter relates to the strategic risk OR0018. It relates to SR6B 'assets critical to service delivery' (property) because the Council is required to deliver fit for purpose accommodation that fulfils level of service and Health and Safety requirements for the organisation, elected members and the community.

Financial Implications

- 30 As outlined, \$250,000 has been included as a placeholder for investigating, planning and design in the draft Annual Plan 2016/17. The financial implication of any proposed build would be the subject of detailed consultation through the 2017/18 Annual Plan as a variation to the current 10 Year Plan.

Council Policies, Strategies and Bylaws

- 31 Council's Property Sale and Acquisition Policy 2014 will be applicable to the sale of the Gorge Road site.
- 32 The Queenstown Town Centre Strategy 2009, which contains the objective that the Council office be retained in the Queenstown Central Business District
- 33 No other Council policies, strategies or bylaws are directly applicable.

34 This matter is not included in the current 10-Year Plan.

Local Government Act 2002 Purpose Provisions

35 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring effective and efficient local government and enhanced customer service.

Consultation: Community Views and Preferences

36 As outlined Council considers the proposed development of Council-owned land is of high community interest.

37 The Council proposes to undertake a Special Consultative Process through the 2017/18 Annual Plan in order to amend the 2015 10 Year Plan.

Attachments

- A Accommodation Report
- B Accommodation Report: Commercial Property Assessment (Public Excluded)
- C Legal advice on the utilisation of Council Reserve (namely Stanley Street) for the purposes of Council Accommodation
- D Council's Property Sale and Acquisition Policy 2014

QLDC Council
27 June 2019

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

Department: Corporate Services

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

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

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

EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA

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

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

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

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

Prepared by:

Paul Speedy
Manager Strategic Projects

20/06/2019

Reviewed and Authorised by:

Mike Theelen
Chief Executive

21/06/2019

CONTEXT | HORPOAKI

- 5 The Queenstown Lakes District community and Council recognise the importance of land known as the Stanley Street site (the Site) to Queenstown's development and growth as a township and community.
- 6 The Queenstown Town Centre Masterplan identifies that the Site, partly Council administered Crown reserve land and Council owned freehold land, and partly land held by the Ministry of Education, is the preferred location for a community heart including arts and cultural facilities. The Masterplan has identified that co-locating these facilities with the civic administration building (CAB) and library will create a vibrant cultural centre in the central business district.
- 7 Last year Ngāi Tahu Property Limited (NTP) beneficially owned by Te Rūnanga o Ngāi Tahu (Ngāi Tahu) approached QLDC with a proposal to work together to integrate the various properties comprising the Site, with a coordinated plan, to deliver various developments including the CAB and associated community buildings, along with some commercial buildings. Ngāi Tahu has an interest in the reserve land forming part of the Site as a treaty, Te Tiriti o Waitangi, partner. This interest is in the form of a Right of First Refusal (RFR) derived from the Ngāi Tahu Claims Settlement Act 1998.
- 8 On 25 October 2018 the Council entered into a memorandum of understanding (MoU) with NTP to explore the opportunity to develop the Site, addressing identified site constraints and optimal uses, to realise the full development potential of the whole of the Site.
- 9 These discussions have been productive and QLDC and NTP have recognised that by acting together, mā te mahi ngātahi, they have an opportunity to collaborate (to apply their own unique rights and interests in the Site) for mutual benefit and the benefit of the Queenstown Lakes District, its communities, and its position as New Zealand's premier domestic and international tourism destination.
- 10 The existing Queenstown Town Centre Masterplan and CAB business cases consider and present viable delivery options for the partial development of the Site, which have been consulted on with the community as part of the 2018-2028 Ten Year Plan (TYP).
- 11 If the Council wishes to develop additional community buildings (potentially including a performing/visual arts centre and permanent library), this will require further public consultation and funding approval(s).
- 12 The Council will need to consider if it can best achieve its wishes for development of the whole of the Site under the proposed partnering agreement, compared with a third party developer (other than NTP) or by acting alone.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Site Development Principles

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

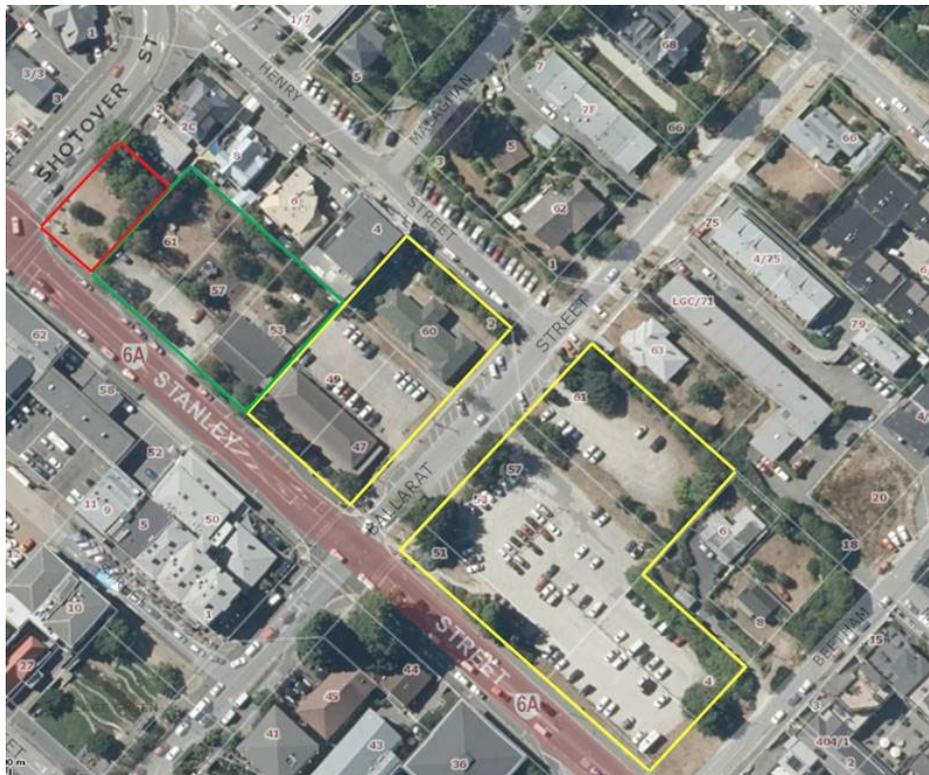
The Site

- 18 The Site is one with a rich and longstanding community history. QLDC owns freehold land forming part of the Site, and holds/administers part of the Site as reserve land under the Reserves Act 1977. The Ministry of Education (MoE) also holds part of the Site for educational purposes under the Education Act 1989 (noting that QLDC has an interest in that land through historic agreement(s) with the Crown).
- 19 To the iwi and whānui of Ngāi Tahu, the Site is wahi nui o te tikanga ahurea, a place of significant cultural importance, being part of a gathering area since pre-European times. This is especially so in relation the Site's use as part of Ngāi Tahu's ancient pounamu

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

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

Figure 1: Indicative Site Plan



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

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

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

Partnering Agreement

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

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

Principal Commercial Terms

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

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

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

Procurement

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

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

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

Other Third Party Developer

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

Decision Making

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

- d. granting long term lease(s) over the local purpose reserve land.
- 42 Each of the above actions requires a specific decision under the relevant legislation: some may be made by officers, some must be made by the governing body and some may require Ministerial approval. However given the decisions are interdependent, QLDC will endeavour to progress them in an integrated fashion to the extent possible. This may, for example, include consulting with the community and stakeholders on the area of road to be stopped, land exchange, and reserve purpose change together.
- 43 The matters for decision are whether to agree to the proposed Partnering Agreement and commencing public engagement on the proposed road stopping, land exchange and changing the purpose of the local reserve land.
- 44 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:
- 45 Option 1: Status Quo – QLDC develop the Site alone.

Advantages:

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

Disadvantages:

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

Advantages:

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

Disadvantages:

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

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

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

Disadvantages:

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

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

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

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

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

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

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

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

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

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

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

> MĀORI CONSULTATION | IWI RŪNANGA

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

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

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

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

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

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

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

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

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

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

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

66 The recommended option:

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

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Land Exchange Proposal
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