QUEENSTOWN LAKES DISTRICT COUNCIL

PUBLIC EXCLUDED

QLDC Council
28 June 2018

Report for Agenda Item: 6

Department: Corporate Services

Lakeview Development Request for Expressions of Interest (REOI) Evaluation

Purpose

The purpose of this report is to consider the REOI Evaluation Panel recommendation and approve parameters for a formal request for proposal (RFDP) process.

Public Excluded

It is recommended that this report is considered with the public excluded in accordance with the Local Government Official Information and Meetings Act 1987 section 7(2)(h) on the grounds that the withholding of the information is necessary to enable the organisation to carry out, without prejudice or disadvantage, commercial activities.

Recommendation

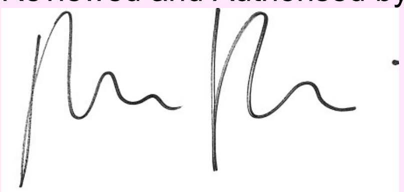
That the Council:

1. **Note** the contents of this report and in particular the Lakeview precinct request for expressions of interest (REOI) evaluation report and Evaluation Panel recommendation;

2. **Approve** the shortlisted REOI respondents and seek formal request for development proposals (RFDP) from that shortlist (Option1);

3. **Approve** that the transaction financial parameter be of no less than (in aggregate) $40.0 million dollars, but with flexibility as to payment and settlement structures, and their timing, with the intention to achieve a higher return from land receipts over time; and

4. **Agree** that a public statement be made on the resolution, but that the full report, attachment and resolution remain public excluded.

Prepared by:	Reviewed and Authorised by:
	
Paul Speedy Manager Strategic Projects	Meaghan Miller General Manager Corporate Services
15/06/2018	17/06/2018

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Background

1 On 26 October 2017 the Council resolved to move forward with development of the Lakeview land in accordance with approved objectives. The Council further approved its intention to enter into agreement(s) with the private sector for development of the Lakeview land (the Land) and authorised the Chief Executive to:

a. Issue a request for an expression of interest (REOI) seeking development partners for the Land, with an intention to shortlist and seek formal request for development proposals (RFDP) from that shortlist;

b. Consider offers for the Land as a whole, or in selected packages and seek the Council's approval of the short listed parties and parameters;

c. Negotiate and execute transaction agreements with development partner(s) subject to the parameters.

2 Formal market engagement commenced on 20 February 2018 with the issue of REOI documentation. The closing date for submissions was 4 April 2018. The Evaluation Panel has undertaken evaluation of received submissions in accordance with an approved Evaluation Plan.

Comment

Market engagement and panel evaluation

3 The REOI response, including a mix of domestic and international interest, was extremely positive. Participants generally demonstrated strong capability and capacity; their submissions also demonstrated good appreciation of Queenstown's local context and the Council's objectives for the Land.

4 Interest for the Land as a whole by master developers was significantly greater than for packages of land (i.e. multiple developers each having distinct parcels of the land). The number of package developers that participated in the REOI process was considered insufficient for a competitive RFDP process. The Evaluation Panel therefore recommends a master developer approach be progressed.

5 Four master developers have been provisionally selected or 'shortlisted' for the RFDP stage. An evaluation report with participant names removed is included as Attachment A.

Desired outcomes and parameters

6 Given the scale of the Lakeview land and its proximity to the town centre, the successful respondents scored relatively well[1] in evaluation criteria relating to their development vision for Lakeview and the need to deliver a variety of

[1] Adequately covering all of the key attributes for that element, either meeting or exceeding the requirements in some aspects and offering some benefit to the Council.

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product, recognising current housing and visitor accommodation issues in the district.

7 Equally the shortlisted parties, in particular the three domestic respondents, were able to demonstrate experience ‘partnering’ with public organisations under similar development agreement frameworks.

8 While the REOI did not seek formal design proposals (or land pricing), it will be a requirement at the next RFDP stage. The participants are expected to be ‘well versed’ in the Councils masterplan expectations and process to enforce those expectations. Transaction payments or land receipts are anticipated in stages as the Council progressively transfers the Land. By not transferring the whole of the Land upfront, the Council will be in a position to control outcomes/ obligations under the development agreement.

9 The Council will have a process to agree a development plan based on the indicative master plan submitted in the successful developer’s bid. Once executed, any development agreement will be subject to an iterative design process including independent review, to ensure it is consistent with the master plan agreed in the development agreement.

10 The Council will carefully balance the extent of control it seeks with the obligations imposed on the developer, such that the focus of both parties is on those matters that are essential to achieving the stated development objectives.

11 Communicating that balance of obligations and control to the RFDP participants will be important to ensuring they have confidence in the process and can direct resources effectively.

12 In terms of land pricing, third party advice values the Land in aggregate, at $41.7 million[2]. This value assumes transferring the Land upfront under freehold title to a single purchaser.

13 Under a development agreement framework, with flexibility as to timing of settlement and provision for ‘profit share’ payments, the Council could anticipate receiving land receipts totalling circa. $50.0 million[3] over time. Again, the Council should be willing to accept this form of deferred payment structure, to make sure it can continue to influence outcomes and obtain best value for the Land.

[2] Colliers September 2017 in one-line assessment (excluding Lots 11 and 16) with no market adjustment, likely due to overseas investment uncertainty and increased construction costs.
[3] CBRE October 2017 residual assessment (excluding Lots 11 and 16) with a ‘super profit’ payment mechanism in place over the anticipated 6-7 year development period.

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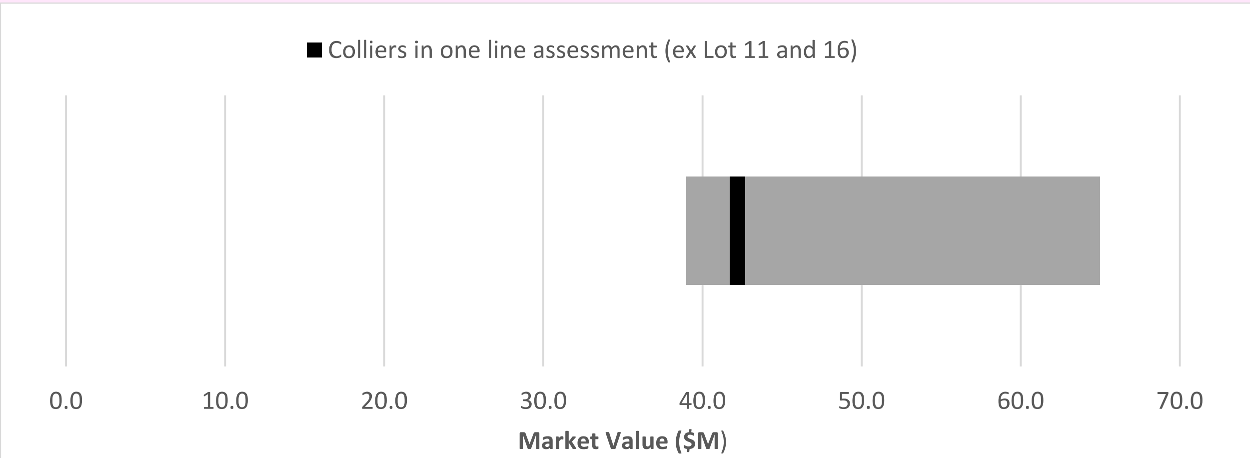
Table 1: Lakeview valuations

Description		Lots	Area (sq.m)	MV ($M)	$/sq.m
CBRE (residual assessment excluding Lots 11 & 16)	Nominal (grown) base land receipts	2-8,10,12	31,943	55.5	1,737
	Super profit receipts	2-8,10,12	31,943	2.5	78
Total nominal land receipts (freehold)			**31,943**	**58.0**	**1,816**
Less:					
Prepaid leasehold discount of 40%		*10 & 12*	*6,932*	*5.0*	*726*
Total nominal land receipts		**2-8,10,12**	**31,943**	**53.0**	**1,658**

Table 2: Transaction pricing range

Description		Limit	Area (sq.m)	MV ($M)	$/sq.m
Pricing range	Mid (no market shift)	0%	31,943	53.0	1,659
	Upper	25%	31,943	67.0	2,097
	Lower	25%	31,943	39.0	1,221
Colliers in one line assessment (excluding Lots 11 & 16)			*31,943*	*41.7*	*1,306*

Figure 1: Transaction pricing range



14 It is recommended that the transaction financial parameter be no less than (in aggregate) $40.0 million dollars, but with flexibility as to payment and settlement and their timing, with the intention being to achieve greater land receipts over time.

Next steps

15 Confirm commitments for infrastructure delivery and the Council's obligations under a development agreement, so that the developer can make firm (pricing and design) commitments to the Council.

16 Define masterplan expectations and the process the Council will adopt to enforce those expectations. Recognising that evaluators will be required to score the different masterplan proposals and will need clear and objective criteria to do that.

17 Prepare RFDP documentation, approve evaluation plan and issue RFDP to shortlisted parties in August 2018.

Options

18 Option 1: Progress to RFDP – approve the shortlisted REOI respondents and seek formal request for development proposals (RFDP) from that shortlist.

Advantages:

a. consistent with the recommendation of the Evaluation Panel;

b. maintains market confidence/ certainty and strong competitive tension.

Disadvantages:

a. none.

19 Option 2: Defer market engagement - withdraw from the transaction process.

Advantages:

a. alternative disposal options remain available in the immediate future.

Disadvantages:

a. delay in development of the Lakeview site could have a material impact on potential financial and non-financial outcomes for the Council;

b. the Land value including its strategic importance remains unrealised and underperforming.

20 This report recommends **Option1** for addressing the matter because it will enable the Council to deliver to the stated development objectives and implement long anticipated investment in the Lakeview site.

Significance and Engagement

21 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because of the extent of community interest and importance to the district in terms of impact on the environment, culture and people of the district.

22 The matter is consistent with existing policy and strategy and will positively impact objectives set out in the financial strategies of the 2018-28 Ten Year Plan.

23 While the land is not listed as a strategic asset in the Council's significance and engagements policy, it is land of some significance. Much of the historical consultation on development of the Lakeview land (including this most recent consultation regarding tenure) has been conducted on the basis the Land is a very valuable asset.

Risk

24 This matter relates to the strategic risk SR1 current and future development needs of the community (including environmental protection), as documented in the Council's risk register. The risk is classed as high. This matter relates to this risk because it enables investment in key initiatives (namely housing, visitor accommodation and core infrastructure) identified to address specific opportunities and challenges faced by this district.

25 The recommended option mitigates the risk by transferring the risk through contracts or other agreements with external agencies.

Financial Implications

26 The recommended option is consistent with operational and capital expenditure assumptions in the 2018-28 10-Year Plan.

Table 3: 10-Year Plan Property Sales (Lakeview)

Description	Amount ($M)
Land value to be sold	50.0
Less:	
Management overhead	1.4
Contribution to affordable housing (5% of land value)	2.5
Land required for arterial (Lot 11, Well Smart)	3.0
Net income to budget	**43.1**

Notes:
1. *Excludes development costs (budgeted in CAPEX LTP)*
2. *Income will be used to pay back debt/ interest*
3. *Land value based on staged land payments over 10-year period.*

Council Policies, Strategies and Bylaws

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

- Economic Development Strategy 2015
- Property Sale and Acquisition Policy 2014

28 The recommended option is consistent with the principles set out in the named policy/policies.

29 This matter is included in the 10-Ten Year Plan.

Local Government Act 2002 Purpose Provisions

30 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 value of a commercial asset;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Will ensure prudent stewardship and the efficient and effective use of the Council's resources in the interests of the district, including by planning effectively for the future management of the Council's assets.

Consultation: Community Views and Preferences

31 The persons who are affected by or interested in this matter are the residents/ ratepayers of the Queenstown Lakes District community, and participants (successful or not) in the market engagement (REOI) process.

32 Participants are to be informed of the Council's decision following its consideration of options. It is recommended that the Mayor then release a media statement outlining the outcome of that decision and next steps.

Attachments

A Lakeview Precinct REOI Evaluation Report (Circulated separately)

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Note on the LGOIMA Grounds for Continuing to Withhold Attachment A

While the report has been proactive released on 14 July 2026, Attachment A is being withheld on LGOIMA grounds 7(2)(h) and 7(2)(i).

Section 7(2)(h) of the LGOIMA protects information where disclosure would be likely to prejudice or disadvantage the commercial activities of Council or other parties involved.

In this case, the withheld information relates to Council's procurement evaluation process and contains commercially sensitive information. Release of this information could prejudice Council's ability to undertake effective procurement activities or disadvantage other parties involved.

QLDC considers that the need to protect the integrity of its commercial activities and those of other parties involved outweighs the public interest in disclosure at this time. The information is therefore withheld under section 7(2)(h) of the LGOIMA.

Section 7(2)(i) of the LGOIMA protects information where disclosure would be likely to prejudice or disadvantage negotiations undertaken by Council or other parties involved.

In this case, the withheld information relates to Council's procurement evaluation process and associated commercial considerations. Release of this information could affect Council's ability to negotiate effectively, or place other parties involved at a disadvantage.

QLDC considers that the need to protect the integrity of procurement processes and associated negotiations outweighs the public interest in disclosure at this time. The information is therefore withheld under section 7(2)(i) of the LGOIMA.