

**Audit, Finance & Risk Committee**  
**29 September 2022**

**Report for Agenda Item | Rīpoata moto e Rāraki take [6]**

**Department: Corporate Services**

**Title | Taitara Lakeview Development Programme**

**PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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- 1 The purpose of this report is to report on the Lakeview development progress and key milestones.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

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- 2 That the Audit, Finance & Risk Committee:
  1. **Note** the contents of this report.

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6/09/2022

Reviewed and Authorised by:



Mike Theelen  
Chief Executive

10/9/2022

**CONTEXT | HOROPAKI**

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- 3 On 17 August 2017, the Council approved several development objectives for the Lakeview site, which revolve around maximising financial return and minimising risk to ratepayers and developing a well-designed residential focused mixed-use precinct quickly and efficiently.
- 4 In October 2017 the Council approved to undertake a market engagement process for the sale of the Lakeview land and commit to deliver the required internal infrastructure, roads and public space to allow transfer of the land to developer partners. The Council also elected to:
  - a. credit 5% of its Lakeview land receipts to the Queenstown Community Housing Trust; and
  - b. set aside the Lynch Block (circa. 1ha land parcel) to consider its future use including specific consideration for use as worker accommodation and/or affordable housing.
- 5 The primary benefit in implementing the Lakeview development has always been seen from a broader perspective than pure financial return, namely being the opportunity to support the Queenstown town centre, and to deliver an integrated urban development form, within walking distance of the town centre.
- 6 In October 2019, QLDC executed a development agreement (DA) with QT Lakeview Developments (the Developer) for the development of eight land parcels within the precinct. The balance (two) land parcels have been sold to Well Smart Limited.
- 7 On 3 February 2022 the Council resolved to review the internal governance arrangements for the project and on 8 July 2022, having considered an independent review, agreed that enhanced monitoring arrangements be put in place with the Finance, Audit and Risk Committee to ensure adequate monitoring of the Project Objectives and Material Outcomes, as set out in the DA.
- 8 This report provides the committee an initial overview of the DA and obligations of QLDC and the Developer under that agreement. Management's on-going reporting to the committee will include:
  - a. quarterly risk assessments associated with achieving the Project Objectives and Material Outcomes and QLDC's own deliverable commitments under the DA;
  - b. key decisions made under delegation including material modifications and minor modifications; and
  - c. potential future decisions for QLDC in the coming quarter.
- 9 Due to confidentiality and disclosure obligations in the DA, from time to time, commercially sensitive information may be reported as publicly excluded (either in full or as an addendum to a public report).

## ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

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### *Structure of DA*

- 10 The DA is structured in a way that QLDC will progressively sell the land parcels (Super Lots) to the Developer in seven stages, which must then develop each Super Lot in accordance with a master development plan and documentation approved by QLDC having regard to QLDC's Project Objectives and Material Outcomes for the development of the Lakeview precinct. The Project Objectives and Material Outcomes are provided as **Attachment A**.
- 11 The Developers master development plan currently envisages investment in the Super Lots in excess of \$1 billion over 12 to 15 years, delivering: over 450 residential apartments; approximately 96 co-living units; 600 hotel rooms; and 10,000 sq.m of commercial/retail space. By the end of the development, spending will generate annual economic impacts equal to regional GDP of \$100 million, employment for 1,800 people and household incomes of \$52 million<sup>1</sup>. The Lakeview precinct plan and proposed delivery staging are provided as **Attachment B**.
- 12 There are specified QLDC approval processes relating to approval of the master development plan, development documentation for each individual stage (which must be consistent with the approved master plan) and material modifications to agreed documentation<sup>2</sup>.
- 13 The Developer will progressively purchase the Super Lots. It will pay a base land payment to QLDC on settlement as and when it takes title to each Super Lot, together with 50% share of any super profit that may be achieved in respect of a stage calculated at the development completion of each stage.
- 14 QLDC must undertake the subdivision of the precinct to create the Super Lots (and separate title for each), which requires QLDC to complete specified roading and services infrastructure and site preparation works (Council Works).
- 15 Before the Developer can call for settlement of a Super Lot, it must satisfy a range of settlement conditions relating to document/design approval, consenting, funding, equity commitment and contractor engagement in respect of the Super Lot it wants to acquire.
- 16 The Developer will develop each stage progressively in line with a programme, with key milestones and milestone dates. While these dates can move as a result of circumstances outside the control of the Developer, there are less flexible sunset dates for key milestones that, if missed, give rise to a project review and, potentially termination rights in respect of future Super Lots. This safeguards against land banking.
- 17 In the event the DA is terminated, then rights to acquire future Super Lots are lost, but the Developer remains obligated to continue development of Super Lots it has acquired in accordance with the DA.

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<sup>1</sup> Insight economics (prepared for the Developers consenting proposal).

<sup>2</sup> Lakeview precinct plan; master development plan; design documentation; and development documentation.

18 The Developer must adopt an approach to the design and development of the Super Lots that will achieve the Project Objectives and Material Outcomes. QLDC will, in respect of all matters requiring a decision from QLDC under the DA, have regard to, and assess such matters against the Project Objectives and Material Outcomes.

### ***Profit Share Payment***

19 The base land payments are fixed amounts. The profit share payment is structured to enable QLDC to participate in any uplift in land value and the success of the development over time. It also provides insulation against the potential for land payment delays (as a result of circumstances outside the control of the Developer) and a means to recapture value.

20 The terms of the profit share payment are consistent with those set out in other public sector development agreements and in essence, mean that QLDC will share 50% of the development profit above the hurdle return payable to the Developer.

### ***Key Development Milestones and Milestone Dates***

21 The delivery of the Council Works is a key prerequisite to the Developer being able to advance its own development programme. The DA contains four important milestone dates relating to the commencement of infrastructure works, and the completion of all the Council Works/issue of new Super Lot titles, which are based on QLDC's own programme.

22 The Developers programme has been based off these dates but will be rebased from the dates that QLDC achieves the relevant milestones. Accordingly, the sooner that QLDC commences works and completes the works and subdivision; the better it will be in terms of bringing the Developers programme forward.

23 The DA requires the Developer to meet progress sunset dates and fixed settlement sunset dates for settlement and completion milestones. These sunset dates include a buffer of time over and above the relevant milestone dates. If the Developer fails to achieve the relevant milestone by its sunset date, there are specific contractual consequences.

24 The monitoring of these milestones will be important for the Council in determining the successful achievement of the Project Objectives and Material Outcomes. A project control group has been established by the Developer and QLDC, as a forum for communication between the parties, for the purposes of implementing and overseeing the design and construction of the development including, but not limited to, progress towards achieving Project Objectives and Material Outcomes.

**Table 1: QLDC Obligations**

| Milestone                                     | Date         | Status   | Risk Rating   |
|---|--------------|--|---------------|
| Infrastructure works commencement             | 30 Jun 2020  | Achieved 1 Sept 2020   | n/a           |
| Infrastructure works commencement sunset date | 30 Dec 2020  | n/a  | n/a           |
| Council Works completion target date          | 30 Sept 2022 | Deferred and accepted by the Developer, infrastructure works programme rebased to sunset date.   | n/a           |
| Council Works completion sunset date          | 30 Sept 2023 | Infrastructure works construction contracts in place with the Alliance and programmed for completion in Sept 2023. Market square works programmed for competition 29 Jan 2025. | Moderate risk |

**Table 2: Developer Obligations**

| Milestone  | Date       | Status  | Risk Rating |
|--|------------|---|-------------|
| Submission of stage 1 Development Documentation  | 9 Nov 2021 | Achieved 16 Dec 2021, resource consent documentation approved 11 July 2022. Further developed design documentation to be provided after consent decision. | n/a         |
| Satisfaction of stage 1 Settlement Conditions    | TBC        | n/a   | n/a         |
| Commencement of stage 1 Substantive Construction | TBC        | n/a   | n/a         |
| Stage 1 Completion                               | TBC        | n/a   | n/a         |
| Fixed settlement sunset date                     | TBC        | n/a   | n/a         |

*NB: Milestones for future stages i.e. 2 to 7, can be reported on after the stage 1 settlement milestone is achieved.*

### **Assessment of Modifications**

- 25 Modifications to agreed documentation manage programme and design flexibility appropriately balancing the Councils needs to retain adequate control and the developer's imperative to respond to market conditions and commercial drivers.
- 26 QLDC has developed a modification assessment plan which sets out a consistent methodology for the assessment of modification proposals. Using an evaluation panel of QLDC and external subject matter experts a request for a modification is reviewed and assessed against the specific criteria set out in the DA to determine whether the modification is a material modification requiring QLDC approval:
- a. Does it require an extension to a progress sunset date or a fixed settlement date?
  - b. If implemented, would the modification materially affect the ability to achieve any of the Project Objectives or Material Outcomes?
  - c. Does it trigger one of the prescribed material modifications?
  - d. When considered in aggregate with the cumulative effects of previous modifications, does this modification plus the cumulative effects amount to a material modification?
- 27 If the modification will lessen the likelihood of achievement, then the modification will be material modification. Once the evaluation is complete, the evaluation panel reports its findings and makes a recommendation as to whether the modification is a material modification, and if so, whether the material modification should be approved or not, having regard to the impact on the Project Objectives and Material Outcomes.
- 28 A schedule of development decisions, including modifications to agreed documentation, is provided as **Attachment C**.

### **CONSULTATION PROCESS | HĀTEPE MATAPAKI:**

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#### **> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA**

- 29 This matter is of low significance, as determined by reference to the [Council's Significance and Engagement Policy](#) because it is consistent with existing strategy, and does not impact on the objectives set out in the Financial Strategy, Ten Year Plan or Annual Plan.
- 30 Although the matter is of importance to the district and is of community interest, it is of low significance due to its alignment with the Councils existing contractual commitments.
- 31 The persons who are affected by or interested in this matter are all residents/ratepayers of the Queenstown lakes district community. As the significance of this matter is low and only for noting, no consultation with the community or local iwi is required.

**RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA**

- 32 This matter relates to the Financial risk category. It is associated with RISK00021 unexpected change in funding within the [QLDC Risk Register](#). This risk has been assessed as having a moderate inherent risk rating.
- 33 As the Council wishes to retain some control over outcomes at Lakeview given its importance, but at the same time is seeking to achieve good value within that framework, it is recommended that QLDC seek to carefully manage (limit) the control it seeks to essential matters. It is therefore imperative that obligations imposed on the Developer are restricted to those that are essential to meeting the stated Project Objectives and Material Outcomes.
- 34 The transparent reporting and monitoring of key development milestones will support the Council by allowing us to retain the risk at its current level. The effectiveness of these controls shall be supported by the continued governance of the development milestones by the Audit, Finance and Risk Committee.

**FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA**

- 35 There are no budget, cost or resource implications to consider at this time.

**COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA**

- 36 The following Council policies, strategies and bylaws were considered:
  - Vision Beyond 2050: A unique place. An inspiring future. He Wāhi Tūhāhā. He Āmua Whakaohoho, in particular the principles of thriving people | Whakapuāwai Hapori and zero carbon communities | Parakore Hapori.
  - Property Sale and Acquisition Policy (2014)
  - Significance & Engagement Policy | Te Kaupapa Here Hiraka Whakapā (2021).
  - Disability Policy.
  - Financial Contributions Headworks Policy.
  - Development Contributions Policy (2021).
  - Revenue and Financing Policy.
  - Infrastructure Asset Management Strategy.
- 37 The matter is consistent with the principles set out in the named policy/policies and included in the Ten-Year Plan/Annual Plan.

**ATTACHMENTS | NGĀ TĀPIRIHANGA**

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|---|--|
| A | Lakeview Project Objectives and Material Outcomes            |
| B | Lakeview precinct plan and proposed delivery staging         |
| C | Lakeview development schedule of decisions and modifications |
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# Lakeview Project Objectives and Material Outcomes

## Project Objectives:

1. Maximise financial return in a manner that minimises risk to ratepayers;
2. Establish a thriving residential focused, mixed use precinct, which is stitched into the Queenstown town centre context and:
  - (A) exhibits best practice urban design principles, is walkable, activated, liveable and authentic;
  - (B) exhibits a consistent design language and high-quality built form outcomes that complement the natural environment, fit into the Queenstown context and are of human scale;
  - (C) provides a diverse retail mix which complements and provides for the natural expansion of the existing town centre core and will appeal to locals and visitors;
  - (D) provides for the intensification sought via Plan Change 50 and delivers for a variety of housing outcomes and/or a diverse residential community;
  - (E) considers opportunities for visitor accommodation and / or visitor facilities where these are economically viable.
3. Ensure the Precinct’s development potential is unlocked in a timely and efficient manner.

**Table 1: Material Outcomes**

| Issue                         | Material Outcomes <sup>1</sup>  |
|-------------------------------|---|
| Retail & Hospitality Strategy | The progressive implementation of a retail and hospitality strategy that provides for long-term management and proactive curation by Britomart (or a related party of the Consortium) of the retail and food & beverage offerings within the non-Hotel parts of the Precinct.   |
| Arts Precinct Strategy        | Development of an integrated arts precinct through the implementation of an arts precinct strategy consistent with the proposed activities and strategies set out in the Developers proposal.   |
| Active connections            | A Precinct actively connected to both the existing Town Centre and the Ben Lomond reserve through the integration of built form with public space, multi-modal access along Isle Street linking to Hay and Thompson Streets and pedestrian laneways (noting that the Developer is only responsible for this outcome to the extent that it is within its control). |
| Proportionate Mix             | The Project maintains a proportionate Project wide mix of residential, short stay accommodation, long-stay accommodation, office and retail typologies.   |

<sup>1</sup> Some specific commercially sensitive terms not included.



**Built form**

The built form within the Precinct reflects the Developer's Architectural Principles in particular: integration of landscape through architectural platforms such as landscaped terraced roofs and a complex variation of spaces between buildings; use of quality façade materials, including natural timber and stone.

**Sustainability principles**

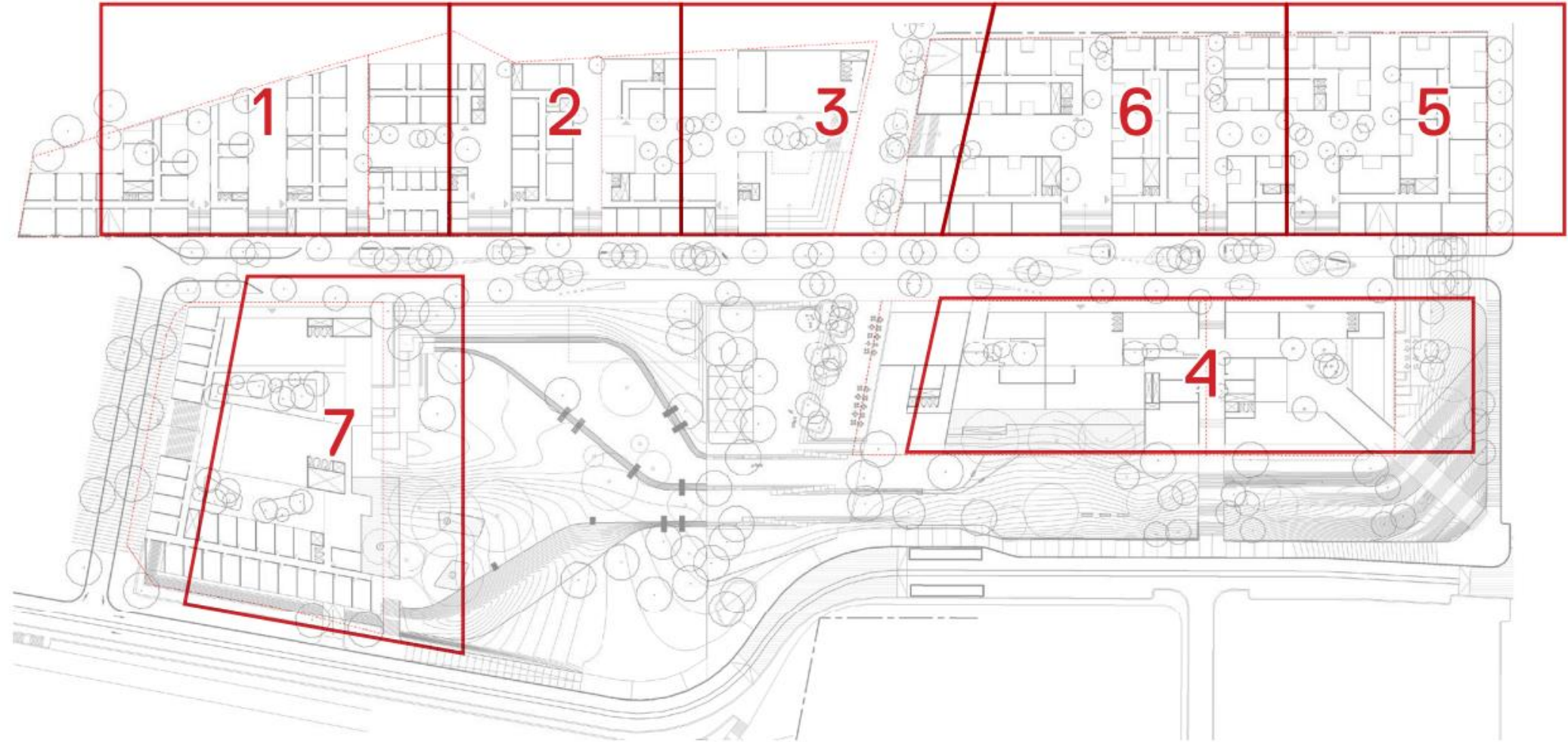
The Developer's sustainability principles are taken into account, as reasonably appropriate, during the course of design and delivery of the project.

PROPOSED SUBDIVISION PLAN





Figure 3.3 | Proposed delivery staging.



## Lakeview development schedule of decisions and modifications

**Table 1: QLDC decisions made<sup>1</sup>**

| Date              | Decision level    | Resolution/outcome  |
|-------------------|-------------------|---|
| 17 August 2017    | Full Council      | Approved development objectives and procurement strategy.   |
| 26 October 2017   | Full Council      | Approved intention to go to market, deliver required subdivision infrastructure, and delegation to Chief Executive to negotiate and execute transaction agreements.   |
| 14 December 2017  | Full Council (PX) | Approved land exchange (Lot 11) for arterial land and delegated Chief Executive to negotiate and execute transaction agreement(s) with Well Smart Investment Holding (THOM) Pty Limited.  |
| 28 June 2018      | Full Council (PX) | Approved short-listed Request for Expressions of Interest (REOI) participants and issuance of formal Request for Development Proposal (RFDP) documentation, and a transaction financial parameter, with flexibility as to payment and settlement structures (and their timing). |
| 6 September 2018  | Full Council (PX) | Approved the sale of Lot 10 (leasehold interest) as part of the Well Smart (Thompson Street) Holding Limited land transfer agreement(s).  |
| 13 September 2018 | Chief Executive   | Executed sale and purchase agreement(s) with Well Smart Investment Holding (THOM) Pty Limited.  |
| 10 October 2019   | Chief Executive   | Executed Development Agreement with QT Lakeview Developments Limited.   |
| 9 November 2020   | Chief Executive   | Approved Master Development Plan; after Council workshops (x2).   |
| 12 March 2021     | Full Council (PX) | Approved inclusion/delivery of associated infrastructure works, as part of Lakeview subdivision infrastructure.   |
| 18 March 2021     | Full Council (PX) | Approved the direct appointment of the Wakatipu Transport Programme Alliance consortium to deliver the Lakeview subdivision infrastructure.   |

<sup>1</sup>From August 2017, not including Annual Plan and/or Ten-Year Plan.

|                  |                 |  |
|------------------|-----------------|--|
| 29 July 2021     | Full Council    | Approved budget to complete site clearance, subdivision and associated infrastructure works.   |
| 2 September 2021 | Chief Executive | Executed development agreement variation to allow for the Lakeview holiday park lessee (CCR Limited) to occupy Lots 4 and 5, until required for the development. |
| 11 July 2022     | Chief Executive | Executed development agreement variation to incorporate co-living operating parameters, including associated title covenant.                                     |

**Table 2: Pending/current QLDC decisions**

| Date | Decision level  | Resolution/outcome   |
|------|-----------------|--|
| TBC  | Chief Executive | Confirmation from the Developer on the deferral (for practical construction reasons) of works for completion of the market square and related finishing works from the scope of Council Works, to be completed after the Council Works completion milestone (including associated settlement obligations). |

**Table 3: Anticipated Future QLDC Decisions**

| Date                          | Decision level  | Resolution/outcome  |
|-------------------------------|-----------------|---|
| If and when by the Developer. | Chief Executive | The assessment of any modification to an agreed document.   |
| As development progresses.    | Chief Executive | Approval(s) of development documentation as necessary, set out in the milestone dates and build periods.              |
| As development progresses.    | Chief Executive | Settlement of Super Lots, subject to assessment of pre-conditions that must be satisfied before settlement can occur. |

**Table 4: Modifications to Agreed Documents**

| Date             | Materiality  | Description   |
|------------------|--|---|
| 18 February 2022 | Minor change of proportionate mix.                                   | Increase of the mixed-use commercial gross floor area (GFA) in Lots 8 & 7.                  |
| 18 February 2022 | Just below threshold for material modification of proportionate mix. | Increases the number of co-living units in Lots 8 & 7.                                      |
| 18 February 2022 | Minor change of proportionate mix.                                   | Reduction of the number of apartments in Lots 8 & 7, due to the amalgamation of apartments. |
| 18 February 2022 | Minor change to design and development documentation.                | Decrease the number of carparks under the master development plan.                          |
| 8 March 2022     | Minor change to building footprint.                                  | Increases the Lot 8 & 7 building footprint.   |
| 8 March 2022     | Minor change to building gross floor area (GFA).                     | Increases the Lot 8 & 7 GFA.  |

**Table 5: Pending/current modifications to agreed documents**

| Date | Materiality | Description   |
|------|-------------|---|
| TBC  | TBC         | Potential modifications (if any) to the Developers stage 1 and 2 design documentation, arising from their fast track consenting process (currently lodged and in progress). |