

Audit, Finance & Risk Committee

5 December 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [7]

Department: Corporate Services

Title | Taitara: Lakeview Development Programme

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to update the Audit, Finance & Risk Committee on the Lakeview development progress and key milestones.

Recommendation | Kā Tūtohuka

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

Prepared by:



Name: Paul Speedy
Title: Manager Strategic Projects
22 November 2024

Reviewed and Authorised by:



Name: Mike Theelen
Title: Chief Executive
25 November 2024

Context | Horopaki

1. In October 2019, Queenstown Lakes District Council (QLDC) executed a development agreement (DA) with QT Lakeview Developments (the Developer) for the development of eight land parcels within the Lakeview precinct.
2. 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.
3. 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.
4. 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). The Developer will develop each stage progressively in line with a programme, with key milestones and milestone dates.
5. 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.

Analysis and Advice | Tatāritaka me kā Tohutohu

Council Works programme

6. QLDC has advised the Developer a Council Works Completion date of 21 August 2024 and the Developer is currently reviewing the title information and revised programme milestone schedule.
7. The parties have agreed deferral of works for completion of the market square from the scope of Council Works, to be completed after the Council Works completion date but before the Developer's stage 3 completion date. Deferred stormwater works, to be completed by the Developer and allowed for in subdivision consent approval, are subject to design and agreement on the allocation of costs between the parties.
8. There remains an existing risk of additional costs over the initial subdivision and ancillary works package estimate, due to costs associated with claims by the Alliance currently under review by the Project Alliance Board (PAB). Any additional costs are currently being met within the existing Lakeview subdivision works budgets but may require adjustment depending on the allocation of any costs between the subdivision works and ancillary projects.
9. A schedule of QLDC decisions made is provided in **Attachment A**.

Developers programme

10. The Developer has commenced its marketing campaign for the first stages of its development and has advised it is working toward a construction commencement date within the next 12 months.
11. A programme will be developed and updated to align with key milestones as set out in the DA. This will include detail on construction milestones leading into settlement of stage 1 and for reporting the development progress).

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	Notice given to the Developer of Council Works Completion as at 21 August 2024. Market square works budget in Years 4 and 5 (2027/28 to 2028/29) of Draft Ten Year Plan.	Low risk, the Developer reviewing title information.

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 following building consent and before settlement of stage 1.	n/a
Satisfaction of stage 1 Settlement Conditions	21 April 2025	Expected to be in the 2024/25 financial year.	Moderate risk
Commencement of stage 1 Substantive Construction	21 June 2025	The Developer has advised it is working toward a construction commencement date within the next 12 months or (at least) no more than 2 months following stage 1 settlement.	Moderate risk
Stage 1 Completion	21 August 2027	Contingent on construction commencement.	Moderate risk
Fixed settlement sunset date	21 April 2026	20 months following the date of Council Works completion.	Low risk
<i>NB: Milestones for future stages i.e. 2 to 7, can be reported on after the stage 1 settlement milestone is achieved.</i>			

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

12. 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, Long Term Plan or Annual Plan.
13. 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.

14. 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 | Kā Raru Tūpono me kā Whakamaurutaka

15. This matter relates to the Strategic/Political/Reputation. It is associated with RISK10015 Ineffective Governance within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.
16. The transparent reporting and monitoring of key development milestones will support QLDC by allowing it 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 & Risk Committee.

Financial Implications | Kā Riteka ā-Pūtea

17. The current forecast Lakeview infrastructure works costs to budget is a moderate deficit at \$800k, the June report was a moderate surplus at \$400k. The Alliance extension of time claim is included as part of the forecast deficit for now. Current life to date and committed expenditure is within existing budgets.
18. Depending on the outcome of the PAB's decision and any allocation of costs between the subdivision works and ancillary projects a budget adjustment may be necessary for consideration by the Council. Also, the deferred Council Works budgets for stormwater works and the market square have been inflation adjusted (increase of approximately \$1 million) in the Long Term Plan.
19. The overall adjusted total capital works forecast is at approximately \$74 million, up from \$72 million reported in June, effectively adding \$1 million to the cost of sale for the land and \$1 million funded by rates and development contributions. This will reduce the forecast "net surplus" for the Lakeview transaction to approximately \$25 million.
20. An overview of the Lakeview financial programme is provided below. All financial figures provided in the flowing tables are nominal cash flow amounts.

Table 3: Lakeview capital works programme end of October 2024 (\$M).

workstream	costs			funding source		
	life to date	forecast cost to complete	adjusted forecast	cost of sale	rates/DC's	
subdivision projects	35	7	42	36	6	note 1.
site clearance - subdivision	13	1	14	14	0	
site clearance - ancillary	2	0	2	2	0	note 2.
ancillary projects	16	0	16	0	16	note 3.
total capital works	66	8	74	52	22	

notes:

1. Some identified trunk infrastructure funded from rates and development contributions.
2. Assumed as a cost of sale for this assessment until value of land required for arterial determined.
3. Trunk infrastructure projects which are not a subdivision requirement, benefiting from parallel investment.

Table 4: Lakeview transaction return on investment (\$M).

expected income from property disposal	88	note 1.
less: transaction cost of sale	11	note 2.
net income from property disposal	77	
capital works (cost of sale)	52	note 3.
net surplus	25	

notes:

1. Assumed gross land payments (QT Lakeview Developments, Well Smart, land required for arterial etc.) not including super profit payments or value of Lynch Block (circa. 1 hectare).
2. Management overhead, contribution to affordable housing, transaction costs etc.
3. Direct capital works (site clearance and infrastructure) costs of sale from table 3.

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

21. 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 (2024).
- Disability Policy.
- Financial Contributions Headworks Policy.
- Development Contributions Policy (2024).

- Revenue and Financing Policy.
- Infrastructure Asset Management Strategy

22. The recommended option is consistent with the principles set out in the named policy/policies and included in the Long Term Plan/Annual Plan.

Attachments | Kā Tāpirihaka

A	Lakeview development schedule of decisions and modifications
---	--

Attachment A: Lakeview development schedule of decisions and modifications

Lakeview development schedule of decisions and modifications

Table 1: QLDC decisions made¹

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 2020	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.

¹From 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.
23 June 2023	Chief Executive	Approved material modifications to the Master Development Plan (stage 1 and 2) arising from fast track consenting process, after Council workshops (x2).
4 September 2023	Chief Executive	Executed development agreement variation to incorporate deferral of works for completion of the market square from the scope of Council Works completion milestone and settlement obligations associated with the approved Master Development Plan.

Table 2: Pending/current QLDC decisions

Date	Decision level	Resolution/outcome
TBC	TBC	TBC

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 and 7.
	Just below threshold for material modification of proportionate mix.	Increases the number of co-living units in Lot 8.
	Minor change of proportionate mix.	Reduction of the number of apartments in Lots 8 and 7, due to the amalgamation of apartments.
	Minor change to design and development documentation.	Reduction of the number of carparks under the master development plan.
8 March 2022	Minor change to building footprint.	Increase of the building footprint within Lot 8 and 7.
	Minor change to building gross floor area (GFA).	Increases the building GFA within Lot 8 and 7.
23 June 2023	Material change to active frontages.	Reduction in the active frontages within Lot 7 of more than 10%, due to building viewshafts required for consent.
	Minor change to active frontages.	Increase in the active frontages with Lot 8, net increase in active frontages across both Lot 8 and 7.
	Material change in number of floors of buildings.	Decrease of more than one floor in the number of floors of buildings with Lot 8 and 7, due to height restrictions required for consent.
	Minor change to building gross floor area (GFA).	Decrease in the building GFA within Lot 8 and 7.
	Minor change of proportionate mix.	Reduction of the number of co-living units in Lot 8.
	Minor change of proportionate mix.	Decrease of the mixed-use commercial gross floor area (GFA) in Lots 8 and 7.
	Minor change to design and development documentation.	Reduction of the number of carparks under the master development plan.

Minor change to building footprint.

Reduction of the building footprint within Lot 8 and 7.

Table 5: Pending/current modifications to agreed documents

Date	Materiality	Description
TBC	TBC	TBC