

Audit, Finance & Risk Committee

11 June 2024

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 Pūroko

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

Recommendation | Kā Tūtohu

That the Audit, Finance & Risk Committee:

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

Prepared by:



Name: Paul Speedy
Title: Manager Strategic Projects
20 May 2024

Reviewed and Authorised by:



Name: Mike Theelen
Title: Chief Executive
23 May 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. The infrastructure works within the subdivision and adjacent (ancillary) works are substantively complete, apart from some site remediation and minor omissions, allowing subdivision 224c consenting approval. The Man Street to Thompson Street road realignment and shared footpath is open for public use.
7. The Alliance has advised additional costs at approximately \$1 million, over the initial subdivision and ancillary works package estimate, due to costs associated with market increases (currently under review). These additional costs can be met within the existing Lakeview infrastructure works budget.
8. A site clearance budget surplus has been allocated to additional projects to remove cabins on reserve land next to the cemetery at \$600k and completing the outstanding site remediation after winter (reseeding and earthworks) at \$400k.
9. Allowing for issue of titles¹, it is expected that completion of the Council Works under the DA will be within the next one to three months. This could be up to 12 months beyond the 30 September 2023 Council Works completion sunset date.
10. The Developer has been advised of this programme and has acknowledged it is comfortable with these revised dates and that there is no impact on its programme, noting that its stage 1 settlement sunset date (20 months after Council Works completion) and all other milestone and sunset dates of its programme will be established once Council Works completion is achieved.
11. The parties have agreed deferral (for practical construction reasons) 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. A schedule of QLDC decisions made is provided in Table 1 **Attachment A**.

Developers programme

12. The Developer as commenced its marketing campaign for the first stages of its development and has advised it is working toward a construction commencement date in 2024. The Developer has

¹ An external LINZ process.

advised QLDC that pre-sales are strong and meet targets for progressing and completing its developed design and pre-settlement documentation.

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	Deferred and acknowledged by the Developer. Land Information New Zealand lodgement of title waiting on finalisation of consenting 224c approval. Market square works budget deferred in Annual Plan to year 4 and 5 of Long Term Plan (2024/25 to 2025/26).	The risk of achieving this milestone is low, albeit deferring establishment (under the DA) of the Developers programme milestone dates.

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	TBC	Expected to be in the 2024/25 financial year, deferred revenue from the 2023/24 LTP. The sunset date for this milestone is 20 months following Council Works completion.	Moderate risk
Commencement of stage 1 Substantive Construction	TBC	The Developer has advised it is working toward a construction commencement date in 2024 or (at least) no more than 2 months following stage 1 settlement.	Moderate risk
Stage 1 Completion	TBC	n/a	n/a
Fixed settlement sunset date	TBC	n/a	n/a
<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

13. 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.

14. 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.
15. 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

16. 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 moderate residual risk rating.
17. 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 Ritēka ā-Pūtea

18. There are no budget, cost or resource implications to consider currently. The additional \$2 million of Alliance infrastructure works contract, site clearance and remediation costs can be met within existing budgets established in July 2021. The expected Lakeview infrastructure works budget surplus is now less than \$400k and any further additional costs (beyond this surplus) will need to be considered by the Council.
19. The adjusted total capital works forecast is at \$72 million, up from \$70 million reported in May, 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 \$26 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 March 2024 (\$M).

workstream	costs			funding source		
	life to date	forecast cost to complete	adjusted forecast	cost of sale	rates/DC's	
subdivision projects	36	5	41	36	5	note 1.
site clearance - subdivision	12	1	13	13	0	
site clearance - ancillary	2	0	2	2	0	note 2.
ancillary projects	16	0	16	0	16	note 3.
total capital works	66	6	72	51	21	

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)	51	note 3.
net surplus	26	

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 Whakaohooho, 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

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
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