

LAKEVIEW — THE TENURE DEBATE.

**SITTING ABOVE QUEENSTOWN IS AN
EXCITING PIECE OF COUNCIL OWNED
AND ADMINISTERED PROPERTY.**

SOME CONTEXT

Sitting above Queenstown is the Lakeview site, an exciting piece of Council owned and administered property comprising some 10.4 ha.

The Council has taken a fresh look at the potential for this significant piece of community-owned land.

Within the Lakeview land-holding is approximately 4.4 ha of freehold land; part of the Council's commercial portfolio. The Council has previously been in a position to 'sell' the commercial land but this was shelved due to the Global Financial Crisis and risk that the land-holding benefit would not be optimised. One part of the land was also the preferred location of a proposed convention centre. The success of a convention centre on the site was predicated on ensuring that funding of the project did not fall to ratepayers. The proposal has therefore been set to one side.

Current market conditions combined with recently re-zoning (Plan Change 50) the site, means that now is considered an optimal time to consider taking the commercial land to market and achieve best value for ratepayers.

WHY GO TO MARKET?

Given this context the Council is also mindful that there is a major investment challenge ahead in terms of the potential development opportunities, both presented by the Queenstown Town Centre Master Plan and the required investment in infrastructure to meet growth. The Lakeview commercial land potentially unlocks an important contribution and also forms an important part of the development of the wider town centre.

While it is critical that the Council holds in reserve community-owned land for future generations, the Lakeview site is a key central site that remains underutilised.

In accordance with Plan Change 50 the commercial land may be developed as a range of small commercial, residential, and visitor accommodation activities. The Council proposes to retain community ownership of parks and reserves on the site including a proposed market square. Including roading corridors this will amount to approximately 6ha of land held by the community in perpetuity. The purpose of this discussion relates to the basis on which the Council will enable the remaining commercial land (circa 4.4ha) to be developed by the market.

WHY DO WE HAVE TO DECIDE?

If the decision is to optimise the commercial land opportunity the market requires certainty as to the nature of rights available. Developing a formal bid for a project of this nature is a considerable investment in the order of hundreds of thousands of dollars for any potential developer. Our terms need to be clear and set to attract the 'right' investment.



YOUR VIEW

The Council would like a conversation with the community regarding the terms of the development of the remaining commercial land-holding because there are two different ways this can be managed; either by way of a prepaid long-term lease or freehold sale.

TO PREPAID LEASE OR FREEHOLD... THAT IS THE QUESTION.

On the face of it, a prepaid lease, enabling the land to return to community ownership after a significant period of time would seem an investment in future generations.

A small number of prepaid leasehold developments have occurred over the last five years although it is relatively uncommon. The majority of these are in Auckland.

The general terms of these leases have been set to meet a purchaser's lifetime and that of their children. Any buyer would understandably want to be comfortable that during their ownership there will be no sharp decline in value.

Terms of 125-128 years have been gaining levels of acceptance. Clyde Quay Wharf in Wellington has a 125 year prepaid leasehold tenure, while Wynyard Central in Auckland has 128 years.

However, leasehold tenure does create some risk for the developer (which is why they are uncommon) who will in turn factor this into the price they can pay the Council for the land.

Taking the argument from a purely financial perspective, an astute, commercial response to the sale of the Lakeview land would be freehold tenure because it will maximise the value the Council receives for its 'investment' property. But if you consider non-financial dimensions the question is whether the Council should trade or forgo land value now in order to retain underlying interest in the land (i.e. get it back) for future generations, in 125 years.

Before the decision can be made, the argument for a pre-paid lease needs to be well understood by the Council and the Community. This is because it also carries with it some challenge.

Affordable Housing

The Council has agreed on objectives that will need to be met by any development of Lakeview. These will enable Council to determine outcomes for the site which could include affordable housing. These outcomes will apply equally for freehold and pre-paid lease.



THE PRE-PAID CHALLENGE

In addition to potentially having an impact on the price the Council will receive for the land there could be other challenges associated with prepaid leasehold tenure.

The terms of expiry of a prepaid lease can be negotiated but commonly the lease expires and any improvements revert to the landowner. In theory this sounds attractive but the legacy could carry a significant risk. As the expiry date approaches owners are incentivised to underinvest in the improvements on the land.

The second challenge, is that the asset being run down is cheap and therefore treated as second-rate housing. The community may find itself taking over ownership of large scale residential apartments that have been completely run down. It may also be

faced with significant cost in terms of upgrade or removal. Removal could be potentially problematic faced with a large number of low wage or fixed income tenants and a social dilemma in terms of large-scale displacement.

In general, property advisors estimate underinvestment and deterioration of the area can generally commence some 30 or more years out from the expiry date. Lease conditions may be able to be invoked but are generally considered unenforceable in these circumstances.

With this context the question then becomes one of legacy either way and this needs to be well understood before heading down the prepaid lease route.

THE FREEHOLD COUNTER

The counter argument is that freehold tenure is more likely to ensure that the value of the property is retained if not increased and therefore investment in the amenity of the property continues to be a desirable prospect. The private sector is most effective and efficient doing this.

The Council would need to continue to invest in the amenity of the reserve and roading infrastructure on an ongoing basis, regardless of the tenure decision, but the freehold option does ensure that ongoing investment on the remaining property sits firmly with private parties.

HAVE YOUR SAY

This will be an important decision to make and no doubt people will hold strong views. Before making the decision Council would like to hear from the community in regard to the tenure issue.

Please tell us your view and tell us why. We will ensure all comments are placed before our Councillors. Please note that all comments will be posted on our website together with your name but all other details will be withheld.

**COMMENTS ARE OPEN
NOW TO FRIDAY
8 SEPTEMBER AND CAN
BE MADE AT
www.qldc.govt.nz**