

MACKENZIE DISTRICT COUNCIL

MINUTES OF A MEETING OF THE TEKAPO PROPERTY GROUP HELD IN THE LAKE TEKAPO COMMUNITY CENTRE, TEKAPO ON MONDAY, AUGUST 4, 2014, AT 10AM

PRESENT:

Cr Murray Cox (Chair)
Mayor Claire Barlow
Stella Sweney
Richie Smith
Wayne Barnett (Chief Executive)
Paul Morris (Finance and Administration Manager)

IN ATTENDANCE:

Arlene Goss (Committee Secretary)
Stephen Gubb (Hughes Developments)
Don Young (Lake Tekapo Scenic Resort)
Catherine Young (Lake Tekapo Scenic Resort)

APOLOGIES:

Apologies were received from Cr Graham Smith and Cr Russell Armstrong.

DECLARATIONS OF INTEREST:

There were no declarations of interest.

VISITORS:

Don and Catherine Young from the Lake Tekapo Scenic Resort were at the meeting to address property group members.

Don Young handed a paper to the meeting that outlines his concerns. This is attached to these minutes. He said their accommodation business is located in the middle of the village next to where construction activity will take place and he would like to address the property group with his concerns early on, rather than complain about things afterwards.

He would like to work with the council to manage the effects of the development so they can still operate their business. He would like to communicate with guests regarding construction so they know what to expect when they arrive. This includes telling guests in advance when construction will start, finish, and the effects it will have, so they can look at alternatives.

He asked for plenty of notice because people are booking well ahead and he is already taking bookings for next summer. With guest feedback being posted online, he is worried his business will suffer poor reviews if guests are not communicated with properly.

He would also like some say in the planning process, for example when there is construction immediately adjacent he would like guest friendly hours of construction rather than construction noise starting very early in the morning.

He would also like dust dampened if there is risk of it blowing across the town.

Mr Young asked for a contact person at the council he can go to if there is a problem.

Regarding the boundary issue they cannot afford to lose any guest car parks and would like to resolve the boundary issues in a way that allows them to keep their car parks.

They would also like to know of any access issues with heavy machinery blocking the road so they can let guests know how to access their business. Catherine Young said she has discussed car parking with Planning and Regulation Manager Nathan Hole and was hoping that council wouldn't take their car parks away.

The chairman asked if guest parking needs to be on the property. Catherine Young said people paying a motel rate want to see their cars from the motel. They are currently rated four star accommodation and this could be affected if there was not enough car parking on site.

The chairman said their concerns about construction were valid and would also apply to other businesses in town. Don Young said the development was for the good of the town but they need good information to mitigate the effects.

The Mayor appreciated them coming to the meeting and being constructive with their comments. Regarding the timing of construction, until the council has a signed contract they cannot give a time for construction. Chief Executive Wayne Barnet is the best person to contact with questions and concerns at this stage.

Catherine Young asked if there was progress regarding the boundary issue. The chief executive said at the moment the plan was for the land owner to give up their encroachment of six meters but the matter was still being discussed.

The chairman thanked Don and Catherine Young for coming and voicing their concerns.

Don and Catherine Young left the meeting at 10.23am.

MINUTES:

Correction: On page 7 Alan Gubb should read Alan McNabb.

Resolved that the minutes of the meeting of the Tekapo Property Group held on June 4, 2014, be confirmed and adopted as the correct record of the meeting, including those matters taken under public excluded, with the correction noted above.

Claire Barlow/Richie Smith

PUBLIC EXCLUDED

Resolved that the public, be excluded from the following part of the proceedings of this meeting namely:

1. Previous minutes, Tekapo Property Group, June 4.
2. Previous minutes, Finance Committee, July 24 (for information only)
3. Development Update (attached)
4. Tekapo Commercial Subdivision (attached)
5. Status of Land Sale (attached)
6. Development Proposal (attached)

7. Sale Contract Update (attached)
8. Development of Lakeside Drive Land (attached)

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Previous minutes Tekapo Property Group, June 4.	Commercial sensitivity Maintain legal professional privilege	48(1)(a)(i)
Previous minutes Finance Committee July 24.	Enable commercial negotiations	48(1)(a)(i)
Development Update Tekapo Commercial Subdivision	Commercial sensitivity Maintain legal professional privilege	48(1)(a)(i) 48(1)(a)(i)
Status of Land Sale	Enable commercial negotiations	48(1)(a)(i)
Development Proposal	Commercial sensitivity	48(1)(a)(i)
Sale Contract Update	Enable commercial negotiations	48(1)(a)(i)
Development of Lakeside Drive Land	Enable commercial negotiations	48(1)(a)(i)

This resolution is made in reliance on Section 48(1)(a)(i) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows: *Previous minutes of the Finance Committee, Status of Land Sale, Sale Contract Update, Development of Lakeside Drive Land all under section 7(2)(i). Previous minutes Tekapo Property Group, Development Update and Development Proposal under section 7(2)(b)(ii), Tekapo Commercial Subdivision under section 7(2)(g).*

Claire Barlow/Richie Smith

RESOLUTION TO OPEN THE MEETING TO THE PUBLIC

**THERE BEING NO FURTHER BUSINESS
THE CHAIRMAN DECLARED THE MEETING CLOSED AT 1.05pm**

CHAIRMAN: _____

DATE: _____

**MINUTES OF A MEETING OF THE TEKAPO PROPERTY GROUP HELD IN THE
LAKE TEKAPO COMMUNITY CENTRE, TEKAPO ON MONDAY, AUGUST 4,
2014, AT 10AM, TAKEN PUBLIC EXCLUDED PURSUANT TO THE PROVISIONS
OF THE LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT
1987**

PRESENT:

Cr Murray Cox (Chair)
Mayor Claire Barlow
Stella Sweney
Richie Smith
Wayne Barnett (Chief Executive)
Paul Morris (Finance and Administration Manager)

IN ATTENDANCE:

Arlene Goss (Committee Secretary)
Stephen Gubb (Hughes Developments)

APOLOGIES:

Apologies were received from Cr Graham Smith and Cr Russell Armstrong.

DECLARATIONS OF INTEREST:

There were no declarations of interest.

DEVELOPMENT UPDATE:

Resolved that the report be received.

Wayne Barnett/Stella Sweney

The chief executive said there are a number of issues surrounding the development and it would be helpful for the property group to hold a workshop to step back and look at the development as a whole and also look at the services being carried out by Hughes Developments, because there is some confusion regarding the work Hughes is doing and the work council is taking responsibility for. This workshop has been planned for next Tuesday, August 12, at 1.30pm in Fairlie.

Richie Smith asked for more information regarding the purpose of the workshop. Stephen Gubb outlined the concerns held by Hughes. The issues that were arising were testing the original vision and there was a risk the development could end up being significantly different to the original design.

The encroachment issue is a big one. If this cannot be won then council cannot have this land. The second problem has resulted from the desire to relocate the YHA to stage 2 land and the difficulty with getting vehicle access through the Foodstuffs site. This will greatly affect the Foodstuffs Lot and gives Foodstuffs leverage which would be uncomfortable to the council.

The chairman said another brainstorm was needed on where we are going for the town. Some of the earlier parts of the brief to Boffa Miskell needed to be re-changed. The original brief was probably too narrow.

The Mayor and Richie Smith questioned why the YHA site could not be accessed from Lakeside Drive instead of through the Foodstuffs site and this option was discussed. Stella Sweney asked if Foodstuffs would be willing to move to a different site but this has not been raised with them. It might be possible for the YHA site to be accessed from Lakeside Drive as an alternative.

There was discussion on the encroachment, which runs right along in front of the current township, further than the mini golf and in front of the Kohan. The chief executive said we need to make sure the way we deal with the encroachments does not create problems in seven years' time when the land returns to council.

There are mixed messages coming from the mini golf people. Council would like a solution that is long term and this would also be best for the mini golf. There were several possible solutions - legal, financial, timing (doing the rest of the development and wait seven years) or a configuration solution.

As well as the problems with the encroachments and YHA relocation, council was also still waiting for an agreement with Arowhenua regarding storm water consent.

The chief executive then offered to provide a detailed update on each Lot in the development:

Lot 1: Foodstuffs

Foodstuffs is still unconditional except for a requirement for council to provide title by December 2014. Stephen Gubb has notified Foodstuffs this date is unlikely to be met but they are still keen to get on with the project.

Lot 2: Hospitality site

A feasibility analysis was conducted for council developing Lot 2 as a hospitality site. Council's Finance Committee has determined the level of return is not suitable and council does not have the expertise to manage this. They have instructed Stephen Gubb to look at other options for selling or leasing this site.

The chairman said he was not present at the Finance Committee meeting where this decision was made and was disappointed with the decision. He said the community would like the possibility of council offering small leases to small businesses in the new development. He said it's not just about the financial return for council but community benefit as well. He said council has little control over what goes into Lot 2 and he would see the golden arches being the last straw. Originally it was about designing a building that looked good. The Mayor asked for the definition of a good return. She believed 8.5% was not high risk. The chairman said he understood the constraints on council, but there were some good arguments for council taking this on.

Lot 3: Earth and Sky

A conditional agreement has lapsed. Stephen Gubb said the university has reached agreement on what will happen at Mount John, except for a traffic management plan which is currently being undertaken. Once this is completed at the end of August they are confident they will be able to come back to the table.

Lot 5: Youth Hostel Association

Council has a conditional agreement with the YHA conditional on council getting a subdivision consent and securing another land sale.

Lot 6: Coldwater/Godley Hotel

Negotiations with Coldwater are well advanced. This agreement went to the Finance Committee. A recommendation has gone to council that this be accepted with a conditional agreement requiring another sale in Stage 2 and the sorting out of the encroachment issues.

The chairman said if the only thing holding back the YHA taking Lot 5 is another sale, when Coldwater signs up it will secure the YHA contract on Lot 5. There needs to be an alternative agreed to by YHA before Coldwater signs up. The chairman was concerned council would trip itself up when it signed the Coldwater agreement.

How much work is needed to get the YHA on another site? Access to the suggested land has been the problem. The chief executive read out from an email from Mark Wells, the YHA chief executive, to say they were amenable to moving to a new site if it included a discount on the land and other conditions.

The Mayor said there was another buyer wanting to pay cash for Lot 5 once the YHA moved elsewhere. This was the current owner of the land behind Lot 5.

The chief executive suggested they alter the shape of the road to go straight through, and therefore alter the shape of Lots 4 and 7, and then offer Lot 4 to the YHA. This would address the problem of the encroachment in front of the Scenic Resort and solve the potential problem of building being too close to each other. The Property Group held further discussion on the benefits and disadvantages of this option, including whether it would be acceptable to the community.

The Mayor asked if Stephen Gubb could go back to Boffa Miskell and change the design of the subdivision around the issues. The idea of the YHA going on Lot 4 needs to be re-packaged as a diversified development including other options such as shops being included in that area.

The chief executive said one of the options for dealing with the encroachment on the mini golf boundary was to move the road and leave the issue until the land comes back to council in seven years, and then turn that land into angle parking.

Stephen Gubb suggested giving the interested buyer first option on Lot 5 but using it as car-parking for 10 years to give council time to develop more parking in Stage 2. Further discussion was held around the idea of council purchasing the old Four Square site to provide access to parking in Lot 5. Stella Sweney believes the Lot 4 option for YHA would be more acceptable to the community if some of the car parking was on the south side of the Four Square building. Backpackers can park and walk and this would avoid having too many parks and mean less traffic coming into Lot 4 if the YHA was to be built there.

The chief executive said buying the Four Square site would be a big thing as it's worth a couple of million dollars.

Stephen Gubb said he was pleased to hear that the group was looking at putting the YHA into a Lot 4/7 development and then going back to the public with a different concept. Council needed to give the YHA the chance to present a concept to the community.

The chairman suggested that part of the concept could be to say council would ensure that mixed use development took place on Lot 5.

The mayor asked Stella Sweney if she believed this would be acceptable to the community. She said yes, it may be if it included a concept and addressed issues around parking. And it

was also important to explain that the property group had considered other options but, given the costs of an extra subdivision, were not able to use them. The Mayor asked Stephen Gubb to approach Boffa Miskell to come up with a new concept.

Storm Water Consent

The chief executive had a meeting with Arowhenua and Aurecon last week. He thinks they have a solution that Arowhenua will sign off. Another meeting is to be held at Arowhenua Marae next weekend and he hopes this will be successful. He explained how the storm water would soak into the ground instead of going into the lake.

The chairman asked if the storm water from the VC2 land will flow into that system. That will be another problem. With the Horizons sale, Aurecon have been instructed to look at the storm water issues in that area.

Encroachments

The chief executive said there are another four encroachments, as well as the mini golf one. They all were for 20 years and have seven years to go. They have all been issued to a previous owner and require sign-off by council to assign benefit. They have changed hands and no assignment has been made. Our legal position is weakened because there are several of them. The Finance Committee has instructed the chief executive to negotiate a settlement with the other owners. He has taken legal advice on this. We are not sure if the owners are aware of these encroachments on their land.

TEKAPO COMMERCIAL SUBDIVISION:

This item was discussed earlier in the meeting and relates to the encroachments on land in the Tekapo Lakefront Development.

Resolved:

1. That the report be received.

Richie Smith/Claire Barlow

2. That the property group instruct the CEO to investigate options for resolving the encroachments at Tekapo and attempt to negotiate a satisfactory resolution.

Richie Smith/Claire Barlow

STATUS OF LAND SALE:

This item was discussed earlier in the meeting and relates to the current situation with Youth Hostel Association having a Sale and Purchase Agreement on Lot 5, and the feelings from the property group that they would be better moved to Lot 4. It also relates to the need to conclude an agreement with Coldwater Properties for the purchase of Lot 6.

Resolved:

1. That the report be received.

Stella Sweney/Claire Barlow

2. That the property group instructs RJ Hughes Developments to negotiate with the Youth Hostel Association to suggest a reconfigured Lot 4/7 as an alternative site to Lot 5 for purchase by the YHA.

Claire Barlow/Richie Smith

3. That the chief executive be instructed not to extend the conditional clauses within the YHA contract for Lot 5.

Claire Barlow/Richie Smith

4. That the property group recommends to council that no agreement be entered into regarding Lot 6 until the sale status of Lot 5 is confirmed.

Claire Barlow/Richie Smith

Richie Smith asked questions regarding the Sale and Purchase agreement with Coldwater. The first was the requirement for the Godley Hotel to upgrade. The chief executive said it was important to improve the hotel, but council did not want to be in the business of signing off the improvements. Richie Smith also asked if there was an opportunity to tidy up an area near Lot 6 and this would be covered.

Stephen Gubb asked if the council would like him to begin negotiations on Lot 5 with the interested cash buyer. Not before the agreement has lapsed with YHA. But it might be a good time to signal this to the buyer. How much input does the Property Group want into what happens to Lot 5? Only around what it's used for.

DEVELOPMENT PROPOSAL:

This report relates to the feasibility of council developing Lot 2 as a hospitality commercial development.

The chairman said he has already expressed his views on this earlier in the meeting. Stephen Gubb said he didn't think many people would have an appetite to buy a land lease on this land. Council's options were to either develop it or sell it.

The Mayor suggested that councillors have a workshop regarding these issues.

Stella Sweney asked Stephen Gubb regarding his advice that feasibility was marginal. He said the 8.5% return was on development costs only. Finance Manager Paul Morris was asked what he considered to be a good return. He said the higher the return the higher the risk. He said hospitality development cannot be compared to the returns coming from the low risk investments currently held by council. He said council does not have any expertise to manage something like this.

The chief executive said discussion was needed on the potential benefits that were not financial, such as benefit to the community and council having a presence in the development.

Richie Smith said there are two parts, the commercial risk and aspirations around things like building design. He said the obstacle of council not having the expertise to manage a commercial property can be overcome. Properties can be set up in a holding company.

Stephen Gubb said if council did this it "doesn't mean you have to own the building forever".

The Mayor asked how much would be needed in land sales to make it cost neutral for the ratepayer - \$1.4 million. Council is also locked into a public consultation on this because it is not included in the long term plan.

Stephen Gubb suggested that council considers a multi-use development on Lot 4/7 to include the YHA, rather than doing this on Lot 2. This was discussed and the group generally approved.

The chairman said it was still important to ensure the development of Lot 2 was an iconic building and approved by council.

Resolved:

1. That the report be received.

Stella Sweney/Paul Morris

2. That Hughes Development be instructed to pursue options for the sale or lease of Lot 2.

Richie Smith/Stella Sweney

SALE CONTRACT UPDATE:

This report was to update the property group in relation to the contract with Horizons NZ for land at Lakeside Drive. Horizons have paid their deposit and would soon be signed off by three councillors delegated by council.

The chairman said Horizons had also bought land across the road from the Tekapo Community Centre and put in an application for resource consent. The chairman said they were looking to develop that land first and it would be used for worker accommodation while building the hotel on the other site. He has talked to Horizons about the realities of staff accommodation in Tekapo.

Stella Sweney asked if the overseas investment issues had been resolved. The chief executive said yes. If Mr Toswill was getting non-conventional funding from overseas the OIO might view this transaction as needing investigation. All the requirements under the Act fall on the purchaser. There are no legal implications for council as vendor; however there may be political ramifications. The chief executive has asked Mr Toswill and he has assured this is not a problem. Richie Smith said according to the companies register there is a 50% interest in Horizons from a Chinese national. Chief executive to check on this. The land is not considered to be significant.

Resolved that the report be received.

Claire Barlow/Richie Smith

DEVELOPMENT OF LAKESIDE DRIVE LAND:

This is in relation to the costs of the subdivision at Lakeside Drive. This subdivision work is to enable the Horizons development, but the storm water work relates to a larger area. The chairman asked what would happen if council committed to this work and the Horizons deal didn't go ahead. Council ends up with a commitment to the consulting work worth \$28,000. Council is working with Mr Toswill to produce a media release on the sale of the land. The chairman said this will be good for the business community and good for the town.

Resolved:

1. That the report be received.

Claire Barlow/Richie Smith

2. That Hughes Development be instructed to proceed with engineering design and planning work associated with the development of Part RS40370 at Lakeside Drive.

Wayne Barnett/Murray Cox

OPEN MEETING:

Resolved that the committee continue in open meeting.

Claire Barlow/Stella Sweney

CERTIFIED AS CORRECT

CHAIRMAN

Tekapo Property Group Meeting

Lake Tekapo Scenic Resort

Don and Catherine Young

Objectives:

- We want to manage the effects of the development to firstly ensure the survival of our business, but preferably to minimise the effect on our guests so we can **maintain a viable, and trade-able business**.
- To do that, we need to be able to **communicate** with guests currently reserved, and prospective guests.
- We have a considerable number of reservations for next summer. To enable us to **accurately inform**, and **offer alternatives** if necessary, we require information on all activity that may affect us as soon as it is available.
- This is critical to our business with **long lead-times** for bookings where our entire facility can be reserved.
- As we are very **exposed to guest feed-back** on booking sites, social media and trip-advisor type mediums, complete transparency and integrity is essential to avoid long-term damage.
- This will be greatly assisted by being **proactive with information**, rather than having to respond to negative feedback.
- To assist us, **we need accurate information**, coming from:
 - **Engagement in the planning process**, and good information flow;
 - **Updates on timelines** for the development process;
 - Access to a **key contact within council** to assist with this communication.

Immediate concerns:

- If the boundary issue results in the loss of car-parks, we will not have sufficient to allocate one park for each accommodation unit.
- The current District plan would require us to have one park per unit plus 2 for managers.
- Any change to the Mini-golf will also directly affect us. If they require major changes, this may require an extended period of construction activity in our immediate vicinity.
- When construction for the road, and infra-structure begins, how long will we be exposed to dust, access issues, and will activity hours be considerate.