

# Panuku Development Auckland

## Quarterly Report

**Quarter ended 31 December 2018**

*This outlines the key performance of Panuku  
which includes urban redevelopment related  
activities and investments*

# Panuku Q2 summary

## Highlights & risks for the quarter

### Highlights

- A development agreement between Panuku and Orams was signed in February 2019 for a marine haul out and refit facility, commercial buildings and a residential tower in the Wynyard Quarter on Site 18. This is expected to create around 500 jobs and up to 200 apprenticeships and built in time for the 36th America's Cup races. The work to achieve the development agreement with Orams was performed during the quarter.
- The General Asset sales target of \$24m has been met. Total asset sales to date is \$40m.
- Haumarū, 33 Henderson Valley Road - Alaska Construction has achieved the critical milestone of completing first floor structures of what will be a 4 level, 40-unit Haumarū housing development. The construction programme is tracking well to reach practical completion by 30 June 2019.
- Takapuna - the construction of the Gasometer car park is progressing to programme. Half of the piling was completed around January 2019. The project will consolidate parking from the Anzac Street car park site, allowing for a mixed-use development, town square and other public amenities.

### Risks

- Evolving Crown relationships and partnerships provides opportunities for Panuku to accelerate and expand developments. Changes can also impact on timing of projects e.g. the proposed formation of the Housing and Urban Development Authority (HUDA).
- Market changes pose challenges to Panuku delivering its work programme, such as the change in house prices, increase in material and labour costs and difficulty in securing development partners.

Financial (\$million)	YTD actual	YTD budget	Actual vs Budget
Capital delivery	38,003	55,306	17,303
Direct revenue	17,665	17,163	502
Direct expenditure	22,549	23,356	807
Net direct expenditure	4,884	6,193	1,309

## Financial commentary

**Capital delivery:** Total capex YTD is \$17m behind budget. The total annual capex (excluding SDF - a facility for funding acquisitions) is forecast to be \$74m against the total budget of \$120m, a variance of \$46m. This is a significant increase in capital project delivery compared to last year. Of the total, \$23m underspend relates to the Waterfront programme primarily due to consenting and other delays, and the remaining \$23m is spread over other Transform and Unlock locations. *(More details in Appendix 1).*

**Direct revenue:** Slightly ahead of budget. Year end forecast is similar.

**Direct expenditure:** Underspend to date is due to timing differences. Year end budget is forecast to be met.

## Key performance indicators

Key performance indicators	Previous Quarter	FY 19 Quarter 2		Status	Commentary
		Actual	Target		
Net Surplus achieves budget for 2018/19. (Properties managed on behalf of Council)	\$6.9m	\$13.8m	\$12.6m	<b>Progressing</b>	Year to date surplus targets met in the first 6 months.
Meet or exceed forecast property disposal annual target of \$24 million. (Asset sales)	\$24.5m	\$40.3m	\$24m	<b>Met</b>	General asset sales target met
List of properties recommended for disposal submitted to Council valued at \$30 million	\$4.8m	\$4.8m	\$30m	<b>Progressing</b>	This is a total target for year-end that is progressing.
The average of monthly % occupancy for the year is 95% or more.	97%	98%	95%	<b>Met</b>	Met the occupancy percentage target for the first 6 months.

*Note: refer to page 8 for other performance measures*

# Strategic focus area – Waterfront development

## Key highlights and risks

### Highlights

- Site 18 - A development agreement has been signed with Orams to build a marine haul out and refit facility, commercial buildings and a residential tower in the Wynyard Quarter.
- Cruise ship mooring dolphin - resource consent notification period closed with over 300 submissions. A consent hearing is scheduled for February 2019.
- Resource consent for the Marina Pile Moorings has been issued; this decision is subject to appeal.
- Resource consent is imminent for Waterfront Promenade stage 2.

### Risks

- AC36 scope changes and dependencies affecting the delivery of activities
- Dependencies / Resource consent delays affecting timing of other projects
- Changing market conditions impacting potential developments

## Strategic context

Panuku is leading the realisation of the Waterfront Plan's five goals, being:

1. A blue-green Waterfront
2. A public Waterfront
3. A smart working Waterfront
4. A connected Waterfront
5. A liveable Waterfront

The work within Transform Waterfront sees Panuku continue to build on the work completed by its predecessor, Waterfront Auckland, and to progress and enable the desired Transform outcomes within the Wynyard Quarter and across the surrounding Waterfront precincts.

Key programme of	Status	Description	Commentary
		<b>Overall Waterfront programme is on track</b> with the delivery of physical projects but financial phasing is behind on a number of projects due to external dependencies, resource consents or commercial issues.	
AC36 Enabling Works	<b>On track</b>	The key role of Panuku is to conclude commercial agreements with waterfront tenants enabling AC36 construction; facilitate resource consents and progress the subsequent project works including tenant relocations in line with agreed AC36 programme.	Activities relating to <b>America's Cup (AC36)</b> project are on track. The amendments to Wynyard Hobson Resource consent were lodged with Council on 22 December 2018. Commercial agreements completed include BST relocation, ASB relocation and Sealink temporary move of offices. Commercial Agreement underway includes fishing fleet relocation. A number of works relating to tenant relocation are completed or underway.
Wynyard Quarter	<b>On track</b>	The Wynyard Quarter provides 37ha of prime land for redevelopment. Panuku has a significant role to play in helping achieve the outcomes for Auckland in terms of developments, visitor and resident satisfaction, economic impact, public amenity, community engagement, support and to achieve the strategic outcomes in the Waterfront Plan.	The <b>Park Hyatt Hotel</b> remains on schedule to be complete by June/July 2019. The civil construction work is underway on the Madden Plaza and Hotel Promenade with anticipated completion by the end of May 2019. <b>Vos Shed Restoration</b> - Legacy Construction commenced site establishment on 21 November. The Vos refurbishment scope includes the demolition of the building at 44-56 Hamer Street and works are now progressing at pace. <b>Westhaven Promenade Stage 2</b> - tender updated with developed design package and Mana Whenua engagement outcomes. <b>Marine Village</b> – the agreement is subject to a pre-lease threshold being met. <b>Other projects</b> are progressing as per the programme.
Other e.g. Marina	<b>On track</b>	Redevelop the pile mooring area at Westhaven to improve the profitability, quality, and public amenity of the marina.	Resource consent was granted for the <b>Marina Pile Moorings</b> project in December 2018 but is now subject to appeal. The capital budget is forecast to be deferred to the new year when the resource consent is finalised.

# Strategic focus area – Other Transforms and Unlocks

## Key highlights and risks

### Highlights

- **Transform Manukau** – Strategic joint business case with the crown initiated and underway. This may lead to a bigger programme, more joined up with the Government.
- **Transform Onehunga** – Panuku has advanced plans to improve local connections with the first laneways project commencing onsite works. This laneway is scheduled for completion in March 2019. Waiapu Lane Precinct public realm scoping works underway.
- **Unlock Takapuna** – Initiated input into the design of 40 Anzac Street and 30-38 Hurstmere Road for a mixed use development with a public square and other public amenities. A political working group has been established with representatives from the local board and the local ward councillors to get input into the objectives and requirements for the design. The market process will start in early 2019.
- **Unlock Henderson** – the Henderson-Massey Local Board approved the concept and development plans for the Opanuku Link comprising the Opanuku Reserve, Henderson Valley Road (300m) and the cyclist bridge to Corban's Estate.
- **Unlock Papatoetoe** – Papatoetoe Shopping Mall physical works led by Panuku is completed, this includes a supermarket and public square.

### Risks

- Evolving crown relationships and partnerships
- Challenging market conditions impact physical works delivery or asset sales.
- Supplier scarcity resulting in price escalations and or programme delays.

## Strategic context

Panuku plays a significant role in achieving the Homes and Places and Belonging and Participation outcomes in the Auckland Plan.

Panuku will lead the redevelopment of town centres, the creation of public spaces for the future and facilitate housing development which are fundamental elements of comprehensive redevelopment.

The priority location HLPPs, Precinct Plans and the LTP funded Priority Location Programme provides a redevelopment roadmap for priority locations.

Key programme of	Status	Description	Commentary
Transform Manukau	On track	In the Transform Manukau area - facilitate housing development including affordable. Lead employment and educational opportunities. Manukau central as a cultural and social hub. Improve transport access. Improve public places and spaces to enhance liveability.	The strategic business case work with the crown is reaching a stage on the way forward where we intend to report to the Panuku board before it is presented to Cabinet. Panuku is also working with Healthy Waters on Puhinui Stream.
Transform Onehunga	On track	The vision is to create a flourishing Onehunga that is well connected to its past, its communities and the environment, including the Manukau Harbour.	Mana whenua has signalled interest in exploring potential partnership opportunities in Onehunga Wharf. This long-term project that is located in an area of high cultural and historical significance, offers a variety of opportunities to potentially realise mutual benefits.
Unlock Takapuna	On track	The vision is to make the most of Takapuna's lake and seaside setting to create a safe, accessible and vibrant town centre orientated around pedestrians and cyclists.	The Gasometer car park and ANZAC Street Public Realm projects are underway. Over half of the piles for the Gasometer project have been drilled. The balance of the Gasometer site is going through development partner negotiations for a multistory development.
Unlock Avondale	On track	Lead the rejuvenation of Avondale through facilitating development of strategic sites and associated infrastructure. Facilitate quality housing in proximity to the Auckland CBD and opportunity to improve transport connections.	The Crown has expressed interest in partnering with Panuku on the Avondale Central mixed-use site. Council has determined the location for its community facility which is a significant milestone.
Unlock Haumaru	On track	The purpose is to identify underutilised council owned sites within the existing portfolio suitable for development for new Housing for Older People units to meet social housing needs.	Housing for older people units, 33 Henderson Valley Road - achieved a critical milestone of completing first floor structures of what will be a 4 level, 40 unit Haumaru housing development. The construction programme is on track. Page 4

Key programme of	Status	Description	Commentary
Unlock Henderson	<b>On track</b>	Henderson is a town centre location with good infrastructure and access to transport. It has strategic Council and Crown landholdings that can act as catalysts for private sector redevelopment. The vision for Henderson is for it to become an urban eco-centre.	C40 Falls and Alderman carparks – Last year these two sites were nominated for Reinventing Cities, an international contest to inspire world-leading sustainable design. Reinventing Cities is run by C40, a group of cities around the world working together on climate change. The Request for Development Proposals (RFDP) closes on 29 March 2019. Panuku is finalising the Detailed Business Case and responding to bidder queries during this period. Placemaking activations are ongoing on the sites during this phase.
Unlock Panmure	<b>On track</b>	The vision for Panmure of creating a vibrant town centre that is a great place to live, visit and do business. The goals are to restore town centre vitality, improve connections to and within the town centre, make a step change in housing and demonstrate leadership in sustainable development.	The programme is tracking well with eight projects initiated, and two projects to be initiated upon confirming the AMETI construction programme by March 2019. Examples of projects include the Commercial Precinct with a mix of retail and residential, and working on an agreement for the development at 3 Mountwell Crescent.
Unlock Papatoetoe	<b>Delayed</b>	The programme seeks to enable redevelopment by enhancing the existing characteristics of the town centre and attracting people and enterprise to Old Papatoetoe. To achieve this vision Panuku creates and delivers development opportunities such as the shopping mall, supermarket, public square and residential sites.	A site has been acquired utilising the SDF and will be combined with the Tavern Lane development site to improve overall quality of town centre redevelopment. Risk to the Tavern Lane development. A legal challenge to this project could impact the overall programme. Two sites are to be released by AT to be added to Unlock Papatoetoe. They adjoin each other and are located in a high profile location.
Unlock Hobsonville	<b>On track</b>	The vision for the location is a 14ha residential area with a 6ha mixed use employment precinct to support the wider Hobsonville Point master plan.	The official launch of stage one of the Avanda development took place on 18 November 2018. The sales of Stage 1 are progressing. The infrastructure works are complete. Continuing to work with HLC on the mixed use employment precinct.
Unlock Northcote	<b>On track</b>	The objectives for renewal of the Northcote town centre are for a better retail destination with a new supermarket and long-term retail viability; significant residential development; new town square for community gatherings; a multipurpose community facility and a greenway to the north edge and reserve space.	The Business Case to seek a development partner is progressing with a go to market strategy. The Panuku Board will consider the Master Plan for a redeveloped town centre in February 2019.
Unlock Pukehohe	<b>On track</b>	Pukekohe is a new priority location for Panuku. The goal is to achieve urban redevelopment of the council's underutilised property portfolio within the Pukekohe Town Centre.	The Governing Body approved Pukekohe as an "Unlock" location in November 2018. The process to create a High-Level Project Plan (HLPP) and Programme Business Case has been initiated. The target is for these to be adopted and endorsed by the Governing Body and Panuku board by 30 June 2019.
Unlock City Centre	<b>On track</b>	Managing city centre projects on behalf of Council. They include the Civic Administration Building, CPO Station Plaza and others.	Civic Administration Building (CAB) development presale progressing.

## Other letter of expectation focus areas

### Working with Central Government

Panuku is continuing to engage with Central Government in a number of the priority development locations including Manukau, Henderson, Northcote, Panmure and Avondale.

This includes working with Housing New Zealand, KiwiBuild and HLC, which will all be part of the future proposed Housing and Urban Development Authority (HUDA).

The intention is to align development programmes, leverage the skills, experience and investment and enhance delivery.

The approved High Level Project Plans form the basis of this engagement. Discussions with KiwiBuild are progressing in relation to a number of sites.

### Climate change

Panuku continues to progress its response to climate impact, in alignment with the Council group. This response includes implementing tools to reduce the carbon impact of development; steps to minimise our operational footprint; and addressing adaptation and resilience in our project areas.

- Panuku has signed the Climate Leaders Coalition pledge in alignment with Council and other CCOs and is working on an approach to carbon accounting within the council group. We have started measuring our operational footprint and obtained a NABERSNZ energy rating.
- As part of our Green Star Communities projects, we have engaged consultants to model the climate impact of developments in two priority locations to pilot an approach that can be rolled out across other areas.
- We are continuing to work with residential developers to extend Homestar, our low carbon residential tool; and we have progressed development of sustainability standards for commercial building projects. We are working with the Council group to investigate tools for carbon measurement in infrastructure.
- We are feeding into the update of the Auckland Climate Action Plan and will use risk analyses developed for the plan as the basis of adaptation and resilience planning in our project areas.

### Contribution towards Māori outcomes

Panuku is a secondary contributor to the Auckland Plan - Māori Identity and Wellbeing Outcome. This then cascades down to our three express Statement of Intent commitments to:

**A) Work towards shared strategic outcomes** - we have co-designed a Mana Whenua Outcomes Framework that provides key understanding as to where Mana Whenua see the potential to leverage Panuku opportunities. The Framework provides for measures to enable monitoring and reporting against progress and outcomes achieved. The Framework is well supported by Mana Whenua and was endorsed by the Mana Whenua Kaitiaki Forum in Q2

**B) Enable commercial opportunities** - Panuku is currently improving processes for identifying commercial opportunities for Māori.

**C) Celebrate Māori Culture and Identity** - we will continue to work with Mana Whenua to develop an implementation plan. We continue to facilitate Māori identity innovations and opportunities through initiatives such as naming new streets, laneways, buildings, signage, communications, art and landscaping. We are also continuing our placemaking kaupapa Māori foundation to deliver positive outcomes for Māori across the region.

### Local board engagement

Panuku continues to engage with local boards on optimisation opportunities, asset sales and overall programme.

- Panuku was asked to consider additional town centres for inclusion in the development programme. Work on the Pukekohe High-Level Project Plan has commenced, including close engagement with the Franklin Local Board.
- A joint political reference group was established to explore issues on divestment of council assets. On 10 December they discussed the transfer of assets across the council group and service property optimisation. A report in March 2019 will set out recommendations for improvements to the divestment processes, policies and will inform a programme going forward. This is a Council led initiative which Panuku supports.
- Working with local boards on projects that will be funded from the reinvestment budget.

# Panuku Q2 financials

\$(million)	FY 18	FY 19 Quarter 2			FY 19
	Actual	Actual	Budget	Variance	Budget
<b>Net direct expenditure</b>	<b>7,759</b>	<b>4,884</b>	<b>6,193</b>	<b>1,309</b>	<b>11,859</b>
<b>Direct revenue</b>	<b>37,315</b>	<b>17,665</b>	<b>17,163</b>	<b>502</b>	<b>34,774</b>
Fees & user charges	3,023	979	836	143	2,295
Operating grants and subsidies	0	0	0	0	0
Other direct revenue	34,292	16,686	16,327	359	32,479
<b>Direct expenditure</b>	<b>45,074</b>	<b>22,549</b>	<b>23,356</b>	<b>807</b>	<b>46,633</b>
Employee benefits	22,096	11,803	11,652	(151)	23,684
Grants, contributions & sponsorship	24	8	8	0	15
Other direct expenditure	22,954	10,738	11,696	958	22,934
<b>Other key operating lines</b>					
AC operating funding ( <i>CCO only</i> )	17,880	8,437	8,437	0	17,962
Vested assets	0	0	0	0	0
Depreciation	7,939	4,381	4,276	(105)	8,534
Net interest expense	(697)	(347)	(30)	317	(618)

## Financial Commentary

Overall the operating performance of Panuku is projected to meet the budget at year end. There are no significant year to date variances on revenue and expenditure.

**Comment 1:** Year to date direct expenditure variance is a result of minor timing differences compared to phased budget. We anticipate that these will be corrected as the year continues, direct expenditure is forecast to be on budget at year end.

**Comment 2:** The year to date variance in net interest expense is due to phasing. Interest received from a development partner monthly was all allocated to June in the budget. The year-end revenue is forecast to meet the budget.

## Panuku Q2 performance measures

Key performance indicators	Previous Quarter	FY 19 Quarter 2		Status	Commentary
		Actual	Target		
1. Transform and Unlock location initiatives completed.	-	N/A	90%	<b>Progressing</b>	Annual target measured at end of year.
2. Percentage of attendees surveyed satisfied with key Transform and Unlock place programmes and activities	-	N/A	Set baseline	<b>Progressing</b>	Annual target measured at end of year.
3. Percentage of visitors surveyed satisfied with their experience of the public spaces on the city or town centres (LTP)	-	N/A	80%	<b>Progressing</b>	Annual target measured at end of year.
4. Percentage of Aucklanders surveyed who have visited the city or town centres in the past year (LTP)	-	N/A	73%	<b>Progressing</b>	Annual target measured at end of year.
5. Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)	-	N/A	88%	<b>Progressing</b>	Annual target measured at end of year.
6. Number of significant Māori initiatives implemented or active per annum (LTP)	-	N/A	50	<b>Progressing</b>	Annual target measured at end of year.
7. % Mana whenua groups satisfied with quality of engagement	-	N/A	Set baseline	<b>Progressing</b>	Annual target measured at end of year.
8. Written evidence that opportunities have been identified and assessed, to be progressed or not.	24	46	100	<b>Progressing</b>	Target is on track.
9. Net Surplus achieves budget for 2018/19. (Properties managed on behalf of Council)	\$6.9m	\$13.8m	\$12.6m	<b>Progressing</b>	Year to date surplus target met in the first 6 months.
10. The average of monthly % occupancy for the year is 95% or more	97%	98%	95%	<b>Met</b>	Met the occupancy percentage target for the first 6 months.
11. ROI on properties on a like for like basis (LTP).	-	N/A	2.25%	<b>Progressing</b>	Annual target measured at end of year.



## Panuku Q2 performance measures

Key performance indicators	Previous Quarter	FY 19 Quarter 2		Status	Commentary
		Actual	Target		
12. Return on Equity on commercial assets and services (LTP) at Waterfront.	-	N/A	8.25%	<b>Progressing</b>	Annual target measured at end of year.
13. List of properties recommended for disposal submitted to Council valued at \$30 million	\$4.8m	\$4.8m	\$30m	<b>Progressing</b>	This is a total target for year-end that is progressing.
14. Meet or exceed forecast property disposal annual target of \$24 million. (Asset sales)	\$24.5m	\$40.3m	\$24m	<b>Met</b>	General asset sales target met
15. Acquisitions are delivered within the timeline agreed with Auckland Council.	100%	100%	80%	<b>Met</b>	Met acquisitions delivery timeline in the first 6 months.

## Detail Explanations

	Total CAPEX Revised Budget \$m	Total CAPEX Forecast \$m	Explanation
<b>Waterfront</b>	\$51m	\$28m	<p>Forecast capex \$23m of Waterfront programme will not be delivered this year. The material balances that make this up include:</p> <ul style="list-style-type: none"> <li>• Marina pile mooring \$5m – Panuku achieved consent. However it is being appealed, with the hearing due in July 2019. The capex for this project will not be spent in the current financial year as the result of the appeal.</li> <li>• Marina Village \$6.6m – subject to pre-leasing. The threshold may not be met and the capex spend is forecast to defer to the new year.</li> <li>• Westhaven promenade stage 2 \$4.6m – this project is forecast to be deferred to the new year due to engagement around the resource consent taking longer than anticipated.</li> <li>• Marina attenuation &amp; reconfiguration \$3.9m – AC36 deferral of project</li> </ul>
<b>Other Transform &amp; Unlock</b>	\$69m	\$46m	<p>Haumaruru and Takapuna Gasometer Carpark projects are well into construction and are forecast to complete within budget. We have been working with Council family in a number of locations and work that we have planned to do this year is now going to be delivered either by Council family or in line with their schedule, such as Puhinui Stream in Manukau (Healthy Waters). Forecast capex \$23m of Transform and Unlock will not be delivered this year. The material balances that make this up include:</p> <ul style="list-style-type: none"> <li>• Takapuna \$7m, the project needed more time to complete the community consultation resulting in a timing delay.</li> <li>• Avondale \$2m, the car park is no longer required.</li> <li>• Northcote \$3m, the Greenway project is delayed due to the timing of acquisition of land from the Ministry of Education.</li> <li>• Hobsonville \$2m, Employment Precinct timing delay, Panuku is working closely with HLC to finalise the shared design vision and 'go to market' strategy for the precinct over the next few months.</li> <li>• Manukau \$2m, the Ronwood car park redevelopment is still being negotiated with the development party.</li> </ul>
<b>Total</b>	<b>\$120m</b>	<b>\$74m</b>	