

Panuku Development Auckland

Quarter 2 Performance Report

For the period ending 31 December 2019

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

Panuku Q2 summary

Highlights, issues & risks for the quarter

Highlights:

Overall Panuku is making good progress **on SOI performance measures and programme deliverables for the year**. Some of the key highlights for quarter 2 include:

- Panuku obtained New Zealand's first *Green Star Communities* ratings for the Opanuku Precinct in Henderson and the Takapuna masterplan, both achieved five-star ratings. This will enable Panuku to measure progress on sustainability measures in these locations.
- A large and significant site in Henderson was sold to the local Laidlaw College Foundation which will regenerate the site into a mixed-use neighbourhood including education and student accommodation around the train station. Two of the Henderson council buildings were included in the sale, giving effect to Auckland Council's Corporate Property Strategy. Panuku retained and protected the Japanese garden and council chamber as public places.
- Also in Henderson, the sale of a site at 21 Henderson Valley Road, behind the new Haumarua building went unconditional. The agreement with the purchaser is to develop approximately 90 affordable homes on the site which is handily located near the train station and town centre.
- It was agreed by the Finance and Performance Committee in December that the public carpark on Clonbern Road in Remuera would be sold and developed with a mix of commercial and residential uses. Panuku completed the demolition of the unsafe car park structure that was on the site and a new street-level car park has been created in the interim while a purchaser and more definitive development plans for the site are made.
- Panuku is currently \$3.5m ahead of our year to date surplus budget from the properties we manage on behalf of Council.

Issues/Risks:

- Changing market conditions means it is taking longer for us to sell properties.
- Evolving crown relationships and partnerships impact joint planning and timing of potential developments.

Financials (\$million)	Actual	Budget	Actual vs Budget
Capital delivery	48.4	73.9	↓ 25.5
Strategic Development Fund (Revolving credit facility)	7.4	8.7	↓ 1.3
Direct revenue	34.0	32.9	↑ 1.1
Direct expenditure	38.1	43.1	↑ 5.0
Net direct expenditure	4.1	10.2	↑ 6.1

Financial Commentary

Capital delivery: Total capex YTD is \$25.5 behind budget. Of the total, \$16.8m underspend relates to the Transform Waterfront programme primarily due to timing delays for the Westhaven Promenade and AC36 infrastructure delivery, and a delayed start to the pile mooring redevelopment project. We forecast capex to be in line with budget at year end. The **SDF** was used to purchase strategic properties in Transform/Unlock locations which contribute to town centre regeneration outcomes. It is only used for appropriate opportunities.

Direct revenue: \$1.1m ahead of budget mainly due to more Commercial Property Portfolio revenue generated from a number of properties across the portfolio that we had budgeted to be vacant in this financial year.

Direct expenditure: \$5.0m saving to phased budget relates to slower than expected recruitment of delivery staff, the timing of payments to professional consultants in our Priority Locations and other timing differences across a number of expense categories.

Key performance indicators

(Refer to pg. 14 for complete list)

Previous

Year

FY 20 Quarter 1

Actual

Target

Status

*All financials on this page include Commercial Property Portfolio, which is owned by Auckland Council, but managed by Panuku.

Commentary

Net Surplus achieves budget for 2019/20. (Properties managed on behalf of Council).

\$26.8m

\$17m

\$13.5m
(quarter)

Met

Net surplus target met for Quarter 2. The annual target is \$30.5m.

List of properties recommended for disposal submitted to Council.	\$30.38m	\$20m	\$22.5m (annual)	Progressing	The annual target is \$22.5m.
Transform and Unlock location initiatives completed.	57%	Five initiatives were completed at the end of Q2	90% or more of planned Transform and Unlock initiatives completed/achieved. (annual)	Progressing	5 out of 14 planned initiatives have been completed.

Strategic focus area – Waterfront development

Key commentary

For the six months up to 31 December 2019, a total of \$29.0 million was spent on waterfront development, against a budget of \$45.7 million. Most projects are underway and the current forecast is that we expect to achieve budget by year end.

Highlights:

- Excellent overall progress made with relocating existing tenants in the waterfront to allow for AC36 activities.
- Superyacht programme underway, all 75 berths have been successfully allocated and contracts in place for the AC36 event.
- Construction work on the new Panuku-built Marine Village building in Westhaven is ahead of programme.
- New land titles have been issued for a new marine haul-out and refit facility, and commercial and residential buildings that will be built and operated by Orams Marine in Wynyard Quarter.
- Work has started to improve pedestrian safety on the intersection between Quay and Lower Hobson streets and Eastern Viaduct.

Issues/Risks

- The tight timeframes for AC36 infrastructure build. We are working with locals and tenants to ensure the neighbourhood is supporting the positive changes in the area.
- The magnitude of complex work being undertaken in a confined geographical area requires close monitoring and management across a number of organisations to ensure co-ordination and ongoing health and safety.
- Park Hyatt Hotel development by Fu Wah is running behind schedule with completion expected in June 2020.

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 and to progress and enable the desired Transform outcomes within Wynyard Quarter and the surrounding Waterfront precincts.

Key programme of	Status	Description	Outlook
AC36 Enabling Works	On track	To conclude relocation agreements with waterfront tenants to enable AC36 infrastructure construction.	Highlights for Infrastructure and Event Readiness <ul style="list-style-type: none"> • Excellent progress has been made with regard to the relocation of tenants to enable Wynyard Edge Alliance (WEA) infrastructure works. Some residual issues remain to be actively managed. • Successful relocation of Sealink (November 2019). Tenant now operating on site.

		<p>Facilitate resource consents and progress project works including tenant relocations in line with agreed AC36 programme.</p> <p>Implement Auckland Council Host Venue Obligations for the event</p>	<ul style="list-style-type: none"> • Bulk liquid storage tanks at the corner of North Wharf and Brigham Street have been removed to make way for a new public space which will be built by WEA. • Superyacht programme underway. All 75 berths have been successfully allocated and contracts in place. • Upgrade of Wynyard Quarter public facilities underway – new toilets and CCTV network extension to accommodate the number of tourists and visitors.
Wynyard Quarter	On track	<p>Leading transformation from a former industrial area to a vibrant new waterfront city neighbourhood. Panuku facilitates outcomes including new housing, visitor and resident satisfaction; enhanced public amenity and access; place activation and community engagement</p>	<ul style="list-style-type: none"> • New Wynyard Quarter Public Spaces: A number of new public open spaces will be opened by the end of the financial year. Urunga Plaza which will wrap around the frontage of the Park Hyatt hotel will be opened in April providing public access to the water's edge at the part of the Viaduct for the first time. The remainder of the Daldy Street Linear Park that will create a green connection between Victoria Park and Silo Park and the Silo Park Extension will be delivered (by WEA) in time for the America's Cup event. • Orams Development (Site 18): New titles have been issued and the 125-year lease has been formally registered for the new marine haul-out and refit facility and commercial and residential buildings that will be built and operated by Orams Marine in Wynyard Quarter. • Dockline Tram: Expression of Interest for third party operators for the Auckland Dockline Tram have closed. Three selected suppliers are proceeding to the 'Request for Proposal' stage and further evaluation.
Other e.g. Marinas	On track	<p>The key objectives are increasing access to the marina for Aucklanders and maintaining Westhaven as a premier marina. This includes redevelopment of the pile mooring area, and completing the waterfront promenade to improve the profitability, quality, and public amenity of the marina.</p>	<ul style="list-style-type: none"> • Westhaven Promenade: The next stage of the Westhaven Promenade is being constructed to connect the walking and cycling path from the Harbour Bridge into downtown. This stage will be completed by September 2020. Design work is underway to ensure safe integration for connections to the Northern Pathway (Auckland Harbour Bridge Shared Path) and the Westhaven Seawall upgrade. • Westhaven Marine Village: Construction work at the Marine Village site is ahead of programme to be completed September 2020. This new facility will accommodate marine related activities and attract new businesses and visitors to the Westhaven Marina. • Pile Berth Redevelopment (Pile Moorings): Works including dredging of the marina have started to create this new facility at Westhaven. Discussions with mana whenua technical experts regarding additional environmental outcomes for the project are ongoing since the project's inception.

Strategic focus area – Other Town Centres (Transform and Unlock Locations)

Key commentary

For the 6 months up to 31 December 2019, a total of \$17.0 million was spent towards the urban regeneration of the town centres that make up the Transform and Unlock programme against a budget of \$23.9 million. We forecast that actual spend will be in line with budget, despite actual YTD spend being behind.

Highlights

- The sale of 21 Henderson Valley Road, Henderson, part of the former Wilsher Village site has gone unconditional. The proceeds will be reinvested into the future Haumarū Housing development programme. The development proposal for this property will provide approximately 90 affordable homes.
- Opanuku Wilsher Village, Henderson – the new 40-unit apartment was handed over to Haumarū Housing Management and the first residents moved in December.
- The former Waitakere office precinct was sold to Laidlaw College Foundation for \$26.8m. The sale includes two buildings and adjacent land but excludes the Japanese garden and Civic Building which houses the Henderson Council Chamber. This will bring more students into the heart of Henderson with the potential for student housing and mixed use development around the train station.
- Barrowcliffe Place, Manukau – construction has started on the first of 330 houses and first occupants expected to move in March 2020. This development is a partnership with the New Zealand Housing Foundation and Te Ākitai Waiohū.
- Demolition of 38 Hurstmere Road, Takapuna, is now complete enabling a new public space to be tested. We are hosting a summer activities and events programme with local organisations.

Issues/Risks

- Changing market conditions is tending to slow property sales.
- Evolving crown relationships and partnerships impact planning and timing of developments.
- A hearing is pending with the Human Rights Tribunal about the Panuku Housing Mix Guidelines as they relate to a development site in Old Papatoetoe formerly known as 'Tavern Lane.'

Strategic context

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

Panuku leads the redevelopment of town centres, the creation of public spaces for the future, and facilitates housing and commercial development, fundamental elements of comprehensive urban regeneration.

The priority location HLPPs and Priority Location Programme provide a redevelopment roadmap for priority locations.

Key programme of	Status	Description	Outlook
Transform Manukau	On track	<p>The objectives of the programme are to focus on optimising both council and crown land holdings to create significant new residential units and new employment in the town centre. Reinvestment of asset sales into improved public realm and public good projects.</p>	<ul style="list-style-type: none"> • The Manukau Institute of Technology building on a former Panuku site is progressing to programme. Roof structure formed and internal works underway. This new building will provide trades training space for 1200 students. • 20 Barrowcliffe Place housing development - construction has started on the first homes (total 330). First occupants to move in March 2020. • Barrowcliffe Place Bridge Enhancement - Concept design nearing completion. Significant input from mana whenua will see a positive cultural narrative component to this piece of infrastructure. Working with NZTA to design and fund protective throw screens. • Wiri playground design concept - mana whenua views are being confirmed with Manurewa Local Board through workshops and business meetings in early 2020. • Discussions underway with Manukau mall owner, Scentre Group, on how its planned redevelopment can provide a more engaging frontage to adjacent public spaces of Manukau Square and Karoro Court. • Puhinui Regeneration Strategy, a project to enable an integrated and collaborative approach to the regeneration of the Puhinui stream catchment area in collaboration with Healthy Waters, Mana Whenua and local boards.
Transform Onehunga	On Track	<p>Planning the mixed-use redevelopment of the wharf and advocating for integrated infrastructure solutions to better connect Onehunga Mall to the Onehunga wharf and Manukau Harbour. Enhancing public spaces with great design, facilitating new retail and housing choices, and optimising council service sites.</p>	<ul style="list-style-type: none"> • Onehunga Wharf - Work towards a plan change is underway to enable redevelopment of the wharf as a mixed-use waterfront neighbourhood. There is still uncertainty around major infrastructure projects, including the proposed East West Link and Light Rail that may affect future developments. • Jordan Street and Oranga areas - Panuku is working with Kāinga Ora and Council to reconfigure parks and road closures to improve local amenity and create housing sites. Demolition and preliminary works are underway in both areas to enable this. Council's Parks and Places team is leading a strategic assessment and management plan for Jordan Reserve which will provide direction for the park redevelopment. A partial road closure is awaiting AT Board approval. • Municipal project - engagement data collected from the Onehunga indoor recreation needs assessment is currently being analysed to inform the delivery of a new indoor community facility. The expected date of completion for this analysis is March 2020. • Waiapu Lane project - a preferred option for the masterplan is being tested with mana whenua and key stakeholders prior to receiving community feedback. The AT Board has approved the transfer of the carpark site to Auckland Council (Panuku) subject to resolving minor legal issues and transport requirements. Public consultation is expected following Panuku Board approval of the master plan in early 2020. • Dress Smart - detailed design of the public realm is on hold until we have certainty around the adjoining landowners plans in the area. Currently working with AT on the road stopping process to enable redevelopment of Paynes Lane and pedestrian access to Dress Smart mall. • Station project - work on the integrated transport station with AT is being investigated, including a potential interim option until light rail is confirmed.

			<ul style="list-style-type: none"> Placemaking - events and activations are occurring for the summer period to build community sense of place and opportunity to input into town centre plans. The major event is the Onehunga Festival where Panuku will have a strong presence giving us an opportunity to meet and talk with locals.
Unlock Takapuna	On Track	Engaging closely with the community to unlock the opportunity to create a new active public heart for Takapuna and to provide new housing choices, amenity, and enhanced economic vitality.	<ul style="list-style-type: none"> A group of shortlisted potential developers are currently preparing development proposals for the central Takapuna carpark site. This is the most significant development site in this Unlock area and will incorporate mixed-use development and public space. Town Square – a design team has been selected to produce initial concepts for the public space on the central carpark site. These will be presented to the Devonport-Takapuna Local Board in early 2020. A significant site connecting the central carpark with the main shopping street, Hurstmere Road, has been cleared and the site is fully open. The site is being used to create and test temporary public space concepts. A number of successful events have been held. Public reaction and feedback will guide the final design of the public space on the central carpark site. Gasometer car park building and associated civil works to relocate services from the site to the road corridor has commenced. Construction is progressing well with the car park expected to be completed mid-2020. This frees up central car park site.
Unlock Avondale	On Track	Facilitating a new multi-purpose community centre and development of vacant central sites in partnership with the Crown and private sector will bring Avondale to life, with more housing choices, people, activity and business prosperity.	<ul style="list-style-type: none"> Acquisitions of some properties are underway to enable a new multi-purpose community facility in Avondale (to be delivered by Community Facilities). We have worked with the Whau Local Board and council whanau to ensure that the location of this facility maximises the regeneration benefit of this investment. A new town square, lane and playground will be a part of the community facility development and planning and design for these is underway. The Avondale Central site on Great North Rd – a design exercise is being undertaken to determine the best way of delivering mixed-use development on this site with a high proportion of residential. It is likely that the land will be released to the market in stages. Panuku is leading the planned streetscape upgrade for Crayford Street West. This opportunity was proposed to signal the overall integrated design and development with Unlock Avondale. Pedestrian crossing and lighting designs have been submitted to Auckland Transport for approval. Panuku is working with Kāinga Ora to support the provision of integrated regeneration in Avondale. This includes working on a joint masterplan and to prepare a site on Elm Street which is planned for residential development. 1817 Great North Road to be sold for an affordable residential development. Panuku acquired three sites, demolished the buildings and amalgamated them into one at 1817 Great North Road. This site can build an estimated 30-40 new housing units.

Unlock Haumaru	On Track	Improving the quality, location, and design of the Council's social housing stock for older residents, led by Haumaru—a partnership with the Selwyn Foundation. Panuku leads the multi-year, multi-location redevelopment programme.	<ul style="list-style-type: none"> • The sale of 21 Henderson Valley Road, part of the former Wilsher Village site (approved by the Board on 14 November 2019) has gone unconditional. • Opanuku Wilsher Village – 33 Henderson Valley Road (40-unit apartment development): Village blessing and handover ceremony to Haumaru Housing was held on 25 November 2019. The event was led by mana whenua and well attended by Haumaru Housing, Councillors, Local Board members, and Panuku team. • The village is now under Haumaru Housing management and tenants commenced move-in during December. An official village opening is scheduled for March/April 2020 once tenants have settled into the new village.
Unlock Henderson	On Track	To create an urban eco centre with a family focus, to enhance the mauri of the twin streams Wai o Panuku and Wai Horotiu, and to demonstrate sustainability and climate responses. To provide new homes and commercial opportunities.	<ul style="list-style-type: none"> • Working in partnership with the council Corporate Accommodation team, two Henderson council buildings and part of land (excluding the Civic Building and council chambers) were sold to Laidlaw College Foundation for \$26.8m. The subdivision works on the adjacent car park to obtain land title and secure public access through the site is currently in progress. • In partnership with AT, public consultation for the enhancement of Henderson Valley Road streetscape was launched on 27 November and results are being collated. Stakeholders have endorsed the bridge and playground design, progressing the project to developed design stage. • Discussions are underway with Te Kopua to finalise the integration of the C40 low carbon development project. Options for selling and repurposing 5 Trading Place are currently being explored. • Walking and cycling routes are being enhanced; Auckland Transport has completed their multicriteria analysis and selected eight sites to progress. • We are working with the Crown on potential developments in Henderson. • Nga Rongo o Te Mauri (sounds of life project), an art installation, launched on 29 November in the Henderson Library square with two more sound installations in progress. This project is helping lift the identity and character theme of Henderson.

Strategic focus area – Other Town Centres (Transform and Unlock Locations)

Key programme of	Status	Description	Outlook
Unlock Ormiston	On Track	The development and creation of a town centre within the Ormiston & Flat Bush area and to further develop Panuku controlled land. To provide community facilities, new homes, and a retail shopping centre.	<ul style="list-style-type: none"> • Panuku is still negotiating with Crown Land for Housing programme for the sale of two sites at 187 Flat Bush School Road (developer to be Fletcher Living). • Ormiston Town Centre and 66 Flat Bush School Road projects are progressing with Todd Group, under the existing development agreement. Completion of the town centre is due end 2020. 66 Flat Bush Road is planned for an estimated 100 new houses with a minimum 6 Homestar sustainability rating.
Unlock Panmure	On Track	Reviving the town centre with new housing options, enhanced amenity, local connections and community facilities, building on the natural landscape (the Maunga and the Basin) and the great transport infrastructure.	<ul style="list-style-type: none"> • 3 Korma Lane – The acquisition of this property will enable consolidation with adjoining council land to provide a more significant revitalization opportunity in the central part of Panmure town centre. • 3 Kings Road & 28-30 Pilkington Road – Plan Change 36 to rezone (from Open Space Informal Recreation to Terrace Housing and Apartment Building and Town Centre zones), both sites were notified on 28 November 2019 with submissions closing 30 January 2020. The change of zoning for both sites will enable mixed-use development within Panmure town centre and deliver more new housing supply and broaden local services offering. • Commercial precinct - Commercial terms have been agreed with Woolworths with the aim of developing a comprehensive mixed-use precinct that is a western gateway into Panmure, with a new supermarket and housing.
Unlock Papatoetoe	Delayed	Developing new housing choices around the completed commercial developments of a shopping mall, supermarket, and carpark to enable the centre to flourish and the community to thrive.	<ul style="list-style-type: none"> • There has been a significant upgrade to the town centre with the supermarket and the Papatoetoe Mall, town square and car park all completed. • The completed mall has now been sold. Capital raised will be used to repay development costs with surplus funds being reinvested directly back into town centre regeneration. • Engagement with staff, stakeholders and partners is progressing with regard to the Stadium Reserve area which includes the bowling green and netball court sites. The site currently has open space zoning but has potential for residential development.
Unlock Hobsonville	On Track	Facilitating the creation of an employment hub “The Airfields” to compliment the greenfields master planned community at Hobsonville Point led by Kāinga Ora/HLC and the residential precincts facilitated by Panuku.	<ul style="list-style-type: none"> • Airfield stage 1 - AV Jennings has completed all 102 homes. • Airfields stage 2 - Avanda are progressing site sales with 22 homes sold to date. Construction is continuing in the second parcel of land, with three contractors now appointed and building of 46 homes. Revised designs for the third parcel of land were approved in November 2019. The focus is bringing affordable product to the market. The product is being launched in early 2020. • A master plan for the Airfields stage 3 employment precinct is being prepared.

Unlock Northcote	On Track	Regenerating the shopping centre into an accessible, modern mixed-use town centre, where people can live, work, play, and stay; where cultures are celebrated and connected by the Awataha Stream.	<ul style="list-style-type: none"> • Acquisitions of the ground leases across the Northcote town centre are progressing. These acquisitions are to enable the town centre renewal as envisioned in the benchmark master plan. • Te Ara Awataha is a new greenway which runs for 1.4km along the edge of the schools, past the town centre, across Greenslade Reserve into Kaka Street and ending at Jessie Tonar Reserve. The public realm project aims to enable the community access to the town centre and will daylight the Awataha stream. The project has focused to date on restoration work at Jessie Tonar Reserve which has progressed well. The initial work along the school's edge is being done in collaboration with Kāinga Ora. This has been spread over two summers to enable the earthworks components to be completed.
Unlock Pukekohe	On Track	Working with the Local Board in identifying development opportunities to strengthen the local economy and bring communities together.	<ul style="list-style-type: none"> • Panuku is working closely with Auckland Transport and Franklin Local Board to agree the approach to parking solutions for the town centre, enabling the release of up to eight off-street carpark sites in the future. • The Pukekohe Veggie Bowl festival, which Panuku assisted with, was successfully held on Sunday, 1 December. • Panuku is progressing engagement meetings with the Pukekohe Business Association, ATEED and Franklin Local Board to form an agreed programme of future work.
Unlock City Centre	On Track	Managing city centre redevelopment projects on behalf of Council, including the Civic Administration Building (CAB), Central Post Office (CPO)	<ul style="list-style-type: none"> • Civic Administration Building - Ownership of the CAB site and buildings has transferred to Civic Lane Limited. Refurbishment of the CAB has commenced. The first stages involve asbestos removal, replacement of the floors and construction of the basement and podium. • Britomart - The Britomart development requires little action until the Britomart Group proceeds with the development of the central site in the Britomart precinct. • Station Plaza - Panuku funded structural works (using SDF) under the CRL Station Plaza (located behind the Britomart Rail Station) to enable future development on top of the site. Panuku and AT are collaborating to develop council group requirements, select development partner and work on a joint business case. • Panuku is working with Auckland Council on a branding campaign "Auckland's future in progress" across relevant Panuku projects. The city centre is the first area to use this campaign (in particular Quay Street works) with the view that it will be rolled out to regional sites over time.

Other statement of intent focus areas

Local board engagement

- Local board induction meetings commenced following the local elections last October and are continuing. To date Panuku has provided two thirds of local boards' induction presentations and booklets for new members. Initial focus has been on local boards in priority locations.
- Senior engagement advisors are working with local board senior staff to identify how the Panuku programme and local board partnerships are articulated in local board planning.
- Regular local board workshops have been established for the new term across priority locations.
- Six monthly local board reports are being prepared and will go to business meetings commencing in March on a rolling basis.
- In February Panuku will host the Franklin Local Board monthly workshop on site.
- A 'Parking Masterclass with Steven Burgess' workshop is being hosted in February for southern local boards.
- In collaboration with local boards three more Social Pinpoints (a crowd sourcing engagement tool) were progressed to gain community input into projects in Henderson and Onehunga.

Climate change

- New Zealand's first Green Star - Communities ratings obtained for the Opanuku Precinct in Henderson and the Takapuna masterplan. Five-star ratings were achieved for both.
- Toitu carbon reduce certification obtained in November 2019. This involved establishing Panuku's organisational emissions inventory, setting emissions reduction targets and adopting a management plan.
- Tool to measure and reduce the carbon impact of new mixed-use and residential developments identified and due to be piloted in Q3/Q4.
- Draft sustainability standards for commercial buildings are being refined prior to adoption.
- Panuku Climate change working group is developing a climate change strategy consistent with and building on our participation in the Auckland Climate Action Framework.
- Working with technical experts to ensure climate adaptation and resilience is a key consideration in master planning and development of priority development locations with Onehunga Wharf the first pilot location.

Working with Central Government

- Kāinga Ora Homes and Communities was established on 1 October incorporating Housing New Zealand, the KiwiBuild Unit and HLC. A second bill that gives Kāinga Ora new development and land acquisition powers is going through Parliament at the moment.
- We are continuing to work with Kāinga Ora Homes and Communities and Ministry of Housing and Urban Development in a number of our locations.
 - In Avondale we are working on a joint masterplan to support housing mix and delivery at pace and the Elm Street site could be a potential residential development.
 - In Henderson, we are working with the crown on a potential development.
 - In Ormiston, we are negotiating the sale of sites on Flat Bush School Road for potential residential development.

Contribution towards Māori outcomes

Panuku has undertaken significant feasibility testing of the Mana Whenua-Panuku Outcomes Framework (Outcomes Framework) and will be ready to start implementing outcomes in the FY20-21. The Outcomes Framework will support Māori outcomes across five pou: Governance, Culture and Identity, Economic, Wellbeing, and Natural Environment. The Outcomes Framework consists of 72 Actions over the next three years.

Panuku has engaged in several other activities, including:

- The establishment of the Pile Mooring Redevelopment Kaitiaki Engagement Plan Forum to engage with mana whenua on an infrastructure project to upgrade Westhaven Marina.
- A mana whenua-led karakia for Haumarū (the Wilsher village in Henderson), Sealink Ferry Terminal, syndicate base D in Wynyard Quarter (Inneos Team UK base), Hobson Wharf Extension (Luna Rossa base), and Westhaven Marina.
- Ongoing mana whenua partnership and engagement activities include Wynyard Point, Eastern Viaduct, Wynyard Crossing, Onehunga Wharf, a Manukau Civic Building, the Barrowcliffe bridge, Wiri playground, restoration projects for the Puhinui and Awataha streams, and Takapuna square.

Panuku Q2 financials

Direct operating performance

(\$ million)	Notes	FY 19	FY 20 Quarter 2 YTD			FY 20
		Actual	Actual	Budget	Variance	Budget
Net direct expenditure		9.7	10.1	10.2	0.1	21.1
Direct revenue		37.4	7.9	9.9	(2.0)	19.8
Fees & user charges		2.1	0	0	0	0
Operating grants and subsidies		-	-	-	-	-
Other direct revenue	A	35.3	7.9	9.9	(2.0)	19.8
Direct expenditure	B	47.1	18.0	20.1	2.1	40.9
Employee benefits		25.2	14.7	16.1	1.4	32.6
Grants, contributions & sponsorship		-	-	-	-	-
Other direct expenditure		21.9	3.3	4.0	0.7	8.3
Other key operating lines						
AC operating funding		18.0	10.1	10.2	0.1	21.1
AC capital funding		17.2	0	0	0	0
Vested assets		-	-	-	-	-
Depreciation		8.1	0	0	0	0.1
Net interest expense		(0.7)	0	0	0	0

Financial Commentary

Overall the operating performance of Panuku is tracking just ahead of budget \$0.1m and is expected to meet budget at year end.

A: Other direct revenue is \$2.0m under budget, this revenue is generated through Panuku staff charging time to Council projects, revenue is behind mostly due to position vacancies across Panuku and there is saving in employee benefits \$1.4m to partially offset this.

B: Direct expenditure is \$2.1m behind budget, largely due to savings to date in employee benefits \$1.4m as there are a number of vacancies across Panuku. There is a \$0.4m saving to budget for insurance costs as the costs in year for Waterfront properties has been charged to the Commercial Property Portfolio. There are a number of timing differences to budget in consultants and audit costs which are expected to correct by year end.

Please note the FY20 budget reflects the impacts on Panuku of the asset transfer.

Commercial Property Portfolio Q2 financials

Direct operating performance

(\$ million)	Notes	FY 19	FY 20 Quarter 2 YTD			FY 20
		Actual	Actual	Budget	Variance	Budget
Net direct revenue		12.8	0.3	(2.0)	2.3	4.2
Direct revenue	A	30.8	26.1	23.0	3.1	44.3
Fees & user charges		1.9	0	0	0	0
Operating grants and subsidies		-	-	-	-	-
Other direct revenue		28.9	26.1	23.0	3.1	44.3
Direct expenditure	B	18.0	20.1	23.0	2.9	40.1
Employee benefits		0.2	0.9	0.7	0.2	1.5
Grants, contributions & sponsorship		-	-	-	-	-
Other direct expenditure		17.8	19.2	22.3	3.7	38.6
Other key operating lines						
AC operating funding		-	-	-	-	-
AC capital funding		-	-	-	-	-
Vested assets		-	-	-	-	-
Depreciation		0.3	3.9	5.7	1.8	11.3
Net interest expense		0	0	0	0	0

Financial Commentary

The numbers in the table represent the Auckland Council Portfolio only, they do not include the net direct revenue of \$2.4m year to date that we have generated for properties managed for Auckland Transport, or the \$2.3m of dividend that has been passed to Solid Waste at Council from the Waste Disposal Services investment managed by Panuku for Council. The budget has been adjusted in this quarter's report to reflect the movement of 132 properties to Community Facilities for their management. The net direct revenue was reduced \$3.2m

A: Direct revenue is ahead \$3.1m, as there are a number of properties across the portfolio that we had budgeted to be vacant in this financial year. The most significant of these is the Strand Takapuna, with \$0.7m revenue received to date in the year. The movement of properties into the portfolio and impact of slower than budgeted vacancy is \$0.9m. There have also been rental increases that have added an additional \$0.4m to revenue. Operating revenue across Wynyard Wharf is \$0.2m ahead of phased budget to date, and Waste Disposal Services revenue is \$0.9m ahead of budget, as a result of additional throughput through the land fill.

B: Direct expenditure is behind budget \$2.9m. Priority Location operational spend is behind phased budget \$2.2m, half of this is a timing difference and savings of \$1.0m are expected in year. Marina maintenance spend is \$0.5m behind budget, this is a timing difference and will correct by year end.

Panuku Q2 performance measures

Key performance indicators	Previous	FY 20 Quarter 2		Status	Commentary
	Year	Actual	Target		
<p>Note: Panuku has a total of 6 LTP measures and 17 SOI measures. For the 3 months to 31 December 2019, 3 measures have been met for quarter 2. 7 are progressing and 7 are end of year measures.</p>					
1. Transform and Unlock location initiatives completed.	57% of the initiatives were completed (8 out of 14 initiatives).	Five initiatives were completed at the end of Q2	90% or more of planned Transform and Unlock initiatives completed/ achieved. A list of location initiatives for the 2020/21 year will be agreed by the Board in the 2019/20 financial period.	Progressing	5 out of 14 planned initiatives have been completed.
2. Climate change mitigation and adaptation considered across Panuku projects	New measure projects	N/A	A tool is developed / identified to measure and reduce greenhouse gas (GHG) impact of new mixed use and residential development by June 2020.	Progressing	The development of a tool is progressing and on track for completion.
3. Climate change mitigation and adaptation considered across Panuku projects	New measure projects	N/A	A process is defined to ensure climate change adaptation is embedded in the location planning process. Approved by Board by June 2020. One adaptation plan completed as a template for other areas.	Progressing	Work is progressing. An adaptation plan is being developed for Northcote.
4. Percentage of attendees surveyed satisfied with city centre Waterfront place programmes and activities.	85%	N/A	85%	Not yet measured	The survey will be carried out close to year end.
5. Percentage of visitors surveyed satisfied with their experience of the public spaces on the city centre Waterfront (LTP)	92%	N/A	80%	Not yet measured	The survey will be carried out close to year end.

Key performance indicators	Previous Year	FY 20 Quarter 2		Status	Commentary
		Actual	Target		
6. Percentage of Aucklanders surveyed who have visited the city centre Waterfront in the past year (LTP)	72%	N/A	73%	Not yet measured	The survey will be carried out close to year end.
7. Percentage of customers surveyed satisfied overall with marina facilities and services (LTP).	91%	N/A	88%	Not yet measured	The survey will be carried out close to year end.
8. Number of significant Māori initiatives implemented or active per annum (LTP).	65	28	52	Progressing	Target is forecast to be met. A number of Māori initiatives underway.
9. % Mana whenua groups satisfied with quality of engagement.	30% were satisfied, 30% were neither satisfied nor dissatisfied, 20% were dissatisfied. 20% did not give a rating.	N/A	Maintain or Improve baseline	Not yet measured	The survey will be carried out close to year end.
10. Written evidence that opportunities have been identified and assessed, to be progressed or not.	143 opportunities assessed	23 site assessments have been completed	At least 100 opportunities identified and assessed.	Progressing	58 assessments are progressing.
11. The net surplus on the property portfolio achieves the annual budget agreed with the council. (Properties managed on behalf of Council).	\$26.8m	\$16.95m	\$13.5m (quarter)	Met YTD target	Net surplus has achieved budget surplus for quarter 2. The annual target is \$30.5m.
12. Occupancy rate for tenable properties.	97.8%	97.6%	95%	Met YTD target	Occupancy percentages for quarter 2 were within target

Key performance indicators	Previous Year	FY 20 Quarter 2		Status	Commentary
		Actual	Target		
13. ROI on investment on a like for like properties (LTP)	2.4%	N/A	Greater than or equal to 1.75%	Measured at year end	The ROI on properties will be calculated at year end.
14. Return on Equity on commercial assets and services (LTP).	11.43%	N/A	8.25%	Measured at year end	The ROE will be calculated at year end.
15. List of properties recommended for disposal submitted to the council	\$30.38m	\$20m worth of assets have been recommended for disposal in Quarter 2.	A list of recommended properties with a total cumulative gross value of \$45 million for two years (2019/20 and 2020/21), will be submitted to the council seeking approval for disposal by the end of June 2021. or A list of recommended properties with a total gross value of \$22.5 million will be submitted to the council seeking approval for disposal by the end of June 2020.	Progressing	Recommended disposals target is projected to be met at year end.
16. Achieve total forecast net sales for the financial year through unconditional agreements. (Asset sales).	\$44.44m	\$3.59m worth of asset have been sold in Quarter 2.	Meet or exceed forecast Property disposal annual target of \$24 million or progress the achievement of the 3-year cumulative LTP sales target of \$72m.	Progressing	General asset sales is projected to be met at year end.
17. Acquisitions are delivered within the timeline agreed with Auckland Council.	92.8%	86%	80% satisfaction against agreed service performance measure	Met YTD target	Acquisition target achieved for quarter 2. 13 completed within timeline out of 15 acquisitions.