

Panuku Development Auckland

Quarterly Report

Quarter ended 30 September 2015

CCO Governance and Monitoring Committee

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1. Executive Summary

Panuku Development Auckland was established on 1 September 2015, with the merging of Auckland Council Property Ltd and Waterfront Auckland. The transition to establishment was a smooth one, and post establishment Panuku has continued on the business as usual activities whilst planning for its future.

In terms of future focus, significant work is being put into selecting Priority Development Locations where Panuku will catalyse significant urban redevelopment. Councillors will be asked to decide Transform locations in December, and from next year will be presented with business cases for locations where Panuku wants to facilitate development.

Financially, the operating expenditure variance for the quarter ended 30 September 2015 was a net surplus of \$1.4 million (\$3.8 million more than budget), and a projected year end net surplus of \$13.9 million (\$23.6 million more than budget). The capital expenditure for the quarter ended 30 September 2015 was \$3.2 million (\$0.5 million lower than budget) with a project year end expenditure matching the budgeted \$48.7 million. Further explanation of these variances is in Section 7.

2. Strategic issues and focus areas

Since establishment, Panuku's focus has been on integrating the two teams from ACPL and Waterfront Auckland into one, and developing the business plan for 2015/16.

The key strategic issue is identifying the priority development locations where Panuku will focus its efforts. In December 2015, Panuku will recommend locations where it will undertake significant urban redevelopment.

Strong relationships with Iwi, the Government, and Local Boards will be critical to Panuku's success. Panuku has been busy initiating conversations with its partners, setting down a strong foundation from which collaboration can be built.

3. Highlights for the last quarter

The highlights for the quarter were:

- Independent commissioners recommended a land exchange at the Three Kings Quarry site between Fletcher Residential Ltd and Auckland Council. The Auckland Development Committee will consider the recommendation at its meeting on 12 November. The exchange will enable the substantial redevelopment of the Three Kings Quarry site into residential housing.

- Panuku signed a deal with McConnell Property for a residential development at 20 Link Crescent in Whangaparaoa. At least 50 houses will be developed alongside a family centre and landscaped reserve.
- The Prime Minister John Key and Mayor Len Brown broke ground for the construction of Willis Bond's residential apartment development in the Wynyard Quarter. 113 townhouses and apartments will be built, the first stage of an overall project that will see 500-600 apartments, townhouses and duplexes built.
- Resource Consent was granted for the construction of a 200 room Park Hyatt Hotel in the Wynyard Quarter. Construction of New Zealand's first international standard five star hotel is forecast in early 2016.
- Emirates Team New Zealand agreed to move from their current site, which is required for the Park Hyatt hotel construction, to a temporary home at Site 18 in the Wynyard Quarter, where they will prepare for their next challenge.
- Expressions of Interest were received to redevelop the Civic Administration Building in Aotea Square. The building needs significant refurbishment to make it modern and safe, to retain its heritage value, and have a design that is sympathetic to the adjacent Aotea Square. Preferred parties have now been asked to submit Development Proposals as part of the second stage of the procurement process.
- Expressions of Interest were received seeking a partner to deliver older people accommodation and services. Workshops were held in September to finalise the terms for a Request for Proposals, which closed on 3 November. The Auckland Development Committee will consider recommendations on 2 December, and will receive a final recommendation on 10 December. The partnership will commence on 1 July 2016.
- Approximately 1,000 people attended the Westhaven Marina Open Day on 3 October, which was held to encourage people to visit and get involved in sailing.






4. Future outlook


Over the next quarter, Panuku Development Auckland will:

- Present to Local Boards and Hui the work to select priority development locations for Panuku's redevelopment activity. Recommended development locations will be provided to the Auckland Development Committee on 10 December.
- Recommend a partner to the Auckland Development Committee to deliver housing for older people network and village tenancy and asset management.

5. Key Deliverables

The key projects currently being delivered are:

Deliverable	\$'000 YTD CAPEX Actual	Completed/ carry over to next quarter/ deferred	Status	Comments
High level project plans	No capital budget	carry over to next quarter		<p>The Panuku Board was presented with the Council's list of location profiles during the quarter. This provided an emerging view on strategically preferred locations.</p> <p>Key stakeholder engagement on the locations will be undertaken in November. This will inform the Board on their decision to agree the preferred locations and for the Auckland Development Committee in December to ratify the final selection.</p> <p>High level project planning is dependent on the selection of priority redevelopment areas.</p> <p>Initial high level project planning work has commenced for the Takapuna, Northcote, Manukau and Onehunga locations.</p>
Wynyard Quarter – Public Project Madden & Pakenham St Upgrade	\$ 1,484k	carry over to next quarter		The Madden and Pakenham Streets upgrade project construction, is underway.
Westhaven Marine Centre	\$ 313k	carry over to next quarter		<p>Developed design completed.</p> <p>Currently in the marketing stage.</p> <p>Industry marketing launch for the Westhaven Marine Centre planned for Q2.</p>
Hobsonville	\$ 1,498k	carry over to next quarter		The Auckland Development Committee will be deciding the future of the remaining 10ha site regarding ATEED's film proposal on 12 November 2015. Once resolved the final development layout can be confirmed, and finalised with key stakeholders and Hobsonville Land Company.
Ormiston Town Centre	\$ 34k	carry over to next quarter		<p>Ormiston Blocks A&B residential has commenced construction.</p> <p>66 Flat Bush School Rd (Ormiston SHA): In negotiation with a development partner to enter into a development agreement.</p>

Papatoetoe Town Centre	\$ 110k	carry over to next quarter		<p>Supermarket – In the process of resolving access issues with the parties and carrying out services upgrade for the issue of title.</p> <p>The shopping mall is being reconfigured with the refining of design and preliminary leasing. Detailed design and onsite communications has commenced.</p>
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5.1 Key deliverables for next quarter

Deliverable	Comments
Priority development location selection and high level project planning <ul style="list-style-type: none"> • Decisions required • Project plans – high level 	<ul style="list-style-type: none"> • Seeking feedback from Local Boards, Iwi and other key stakeholders on the list of development locations • Final development location selections go to the Panuku Board for approval • Auckland Development Committee endorses final selections
Madden & Pakenham Street Upgrade	<ul style="list-style-type: none"> • Affected stakeholder conversations continuing (weekly) • Madden Street, West (between Beaumont and Daldy) - forecast completion Jan 2016. • Madden Street, East (between Halsey and Daldy) - forecast completion May 2016
Westhaven Marine Centre	<ul style="list-style-type: none"> • Next stage leasing campaign • Submission of resource consent
Hobsonville	<ul style="list-style-type: none"> • Following 12 November's ADC meeting activate the appropriate Master plan (10/10 or 14/6). • Finalise superlot layouts and development agreements with key stakeholders.
Ormiston Town Centre	<ul style="list-style-type: none"> • Lodge Block E Resource Consent • Pak'n Save supermarket building completed and commences trading • Uplift Block F&J Resource Consent • Commence design of Block F&J.
Papatoetoe Town Centre	<ul style="list-style-type: none"> • Tavern Lane – Development agreement executed • Shopping mall – tenants given notice of redevelopment

6. Development Budget and Strategic Development Fund

6.1 Development Budget

In 2014/15 Council approved a \$5m budget sourced from property sale proceeds to cover investigatory activities and value-adding capital works on properties prior to development or sale. This budget has been split between \$4.0m for operational expenditure and \$1.0m for capital expenditure. This is reflected in the forecast column below. The total capital spend forecast is \$2.588m, made up of \$1.0m of budget plus \$1.588m of deferrals from 2014/15.

\$000	Full year Budget	Forecast	*Committed to projects	Actual Expenditure	
Development Expenditure					RAG*
Development capital expenditure	4,088**	2,588	1,836	150	
Development operating expenditure	2,558	4,000	1,973	445	

**Including deferrals

The committed capital expenditure relates to value add activities for 13 projects, these include site decontamination, building demolition, subdivision, preliminary design, vendor due diligence and infrastructure - such as water reticulation.

Committed operating expenditure to date relates to 15 projects and includes feasibility work which is not capitalisable, such as the service property review.

6.2 Strategic Development Fund

\$000	Full year Budget	Actual YTD	Comments	
Strategic Development Fund				RAG*
Development capital expenditure	23,277	183		

The Strategic Development Fund is available for land acquisition and capital improvements for sites which will benefit from short to medium term investment and return an increased financial and non-financial outcome. Opportunities are currently being assessed within the Operational expenditure budget of the Development Fund.

7. Financial Performance

The following tables and section provides an overall financial summary covering all Panuku Development Auckland's activities.

7.1 Operational

For the quarter ended 30/09/2015

\$'m	Budget YTD	Actuals YTD	Variance YTD	Full year budget	Full year forecast	Variance
Operational			RAG*			RAG*
Revenue/External funding	8.1	7.6	(0.5)	35.0	35.0	
AC funding	3.6	5.7	2.1	16.0	39.5	23.5
Expenditure excluding depreciation	11.3	9.8	1.5	49.7	49.6	(0.1)
Depreciation	2.8	2.1	0.7	11.0	11.0	
Tax						
Net Surplus/(Deficit) After Tax	(2.4)	1.4	3.8	(9.7)	13.9	23.6

*RAG Status:

- Green** - Performance on target or better
- Amber** - Target may not be met, corrective action taken
- Red** - Target may not be met, action required

The Council approved \$2.6m carry forward of the budget from FY14/15 for repairs and maintenance at the 17th of September meeting of the Finance and Performance Committee. This has been added to the 'expenditure excluding depreciation' budget above.

The first quarter Net Surplus After Tax is \$3.8m better than budget.

Revenue and External Funding is (\$0.5m) behind budget due to (\$0.25m) of property rental income being below budget, due to changes in tenancy arrangements and delays in arbitration of a specific lease that has a 21 year rent review period. We are nearing settlement and it is expected that the increase and back dated rent will correct the year to date deficit in either the second or third quarter. Recharges of staff time is (\$0.4m) behind budget. Work is currently underway to ensure all staff time for those working on capital or rechargeable projects is captured and the current recharge rates are under review. It is anticipated that any increase in recharges rates will be back dated to the

start of the financial year. The offset of \$0.14m comes from a higher than budgeted revenue from events at Queens Wharf.

AC funding represents the funding for operational and capital public benefit works from Auckland Council. AC Funding revenue for capex is \$2.3m more than budget, as Council is now funding public capital expenditure by way of a grant instead of an equity injection. To date \$2.3m has been received and based on capital budgets it is forecast to be \$23.6m by year end. AC funding for operational expenditure is (\$0.15m) less than phased budget as expenditure year to date is less than budget. This is expected to correct by year end.

Expenditure excluding depreciation is \$1.5m is favourable compared to budget, there are a number of timing differences to the phased budget year to date that will be corrected by year end in the areas of management costs, repairs and maintenance, security/utilities and marketing, communications and place management. Actual rates expenses for the year are \$0.1m less than budget and this has been reflected in the forecast. Interest charged from Council is \$0.4m behind the phased budget, this variance is expected to reduce over time as more commercial capital is utilised.

Depreciation \$0.7m, this is anticipated to correct to budget during the year once asset capitalisation occurs.

7.2 Capital





For the quarter ended 30/09/2015




\$'m	Budget YTD	Actuals YTD	Variance YTD	Full year budget	Full year forecast	Variance
Capital						
Expenditure	3.7	3.2	0.5	48.7	48.7	
AC funding	2.9	2.4	0.5	23.6	23.6	
External funding	0.8	0.8	0	25.1	25.1	

The major AC Funded (Public) project underway is the Madden/Packenham street upgrades this project started in August and is progressing well, there is a small timing difference to phased budget but this is expected to correct by year end.




8. Key performance measures

The table below shows Panuku's progress on key SOI performance measures.

Measure	Year-end target	Achieved? (RAG Status)	Last Actual
<p>8. Property Portfolio Net Surplus</p> <p>The net surplus on the property portfolio achieves the annual budget agreed with Council.</p>	Net Surplus achieves budget for 2015/16		<p>Target is on track.</p> <p>Net surplus on the property portfolio is \$4.4m, \$578k above YTD budget at the end of September.</p>
<p>10. Occupancy percentage</p> <p>For those properties available for rent:</p> <p>The rolling average over a 12 month period, of % occupancy at each month end (LTP).</p>	The average of monthly % occupancy for the year is 95% or more.		<p>Target is on track.</p> <p>Occupancy percentage rates achieved are 98.1% (July), 98.7% (August), 98.7% (September).</p>
<p>13. Recommended Property Disposals</p> <p>Stakeholder input is obtained prior to Council Committee approval for disposal being sought.</p> <p>List of properties recommended for disposal submitted to Council,</p> <p>The disposal target for the next financial period will be agreed with Council in the current financial period.</p>	<p>A list of recommended properties totalling \$40 million gross value will be submitted to Council seeking approval to dispose for 2015/16 financial period.</p> <p>A recommended for disposal target for 2016/17 will be agreed with Council in the 2015/16 financial period.</p>		<p>Target is on track.</p> <p>Properties to the value of \$13m have been recommended to Council to date against a target of \$40m.</p>
<p>14. Net Property Sales</p> <p>Achieve total forecast net sales for the financial year.</p> <p>(NB: The target is allocated \$30m Disposal team and \$20m Development team)</p>	<p>Meet or exceed financial forecasts</p> <p>Property disposal target of \$50 million (net value of unconditional sales).</p> <p>Property disposal</p>		<p>Target being monitored</p> <p>Properties to the net value of \$4.6m have been unconditionally sold by the Disposal team to date against a target of \$30m; and 14 other sales by the year end could</p>

Measure	Year-end target	Achieved? (RAG Status)	Last Actual
	target (net value of unconditional sales) for 2016/17 financial period will be agreed with Council in 2015/16.		contribute a further \$5m. The balance of \$20m is reliant on three other significant disposals which will require active management.
			Target is on track. Properties to the net value of \$3.7m have been unconditionally sold by the Development team to date against a target of \$20m.
16. Development Opportunities Written evidence that opportunities have been identified and assessed, to be progressed or not. (Housing and urban regeneration combined)	At least 50 opportunities identified and assessed		On track and progressing Currently development opportunities are undergoing a review process. The focus is on what opportunities Development Auckland will go forward with. Work is continuing to progress on the portfolio review and valuation process, opportunities will be identified as part of this review.
17. Business Cases Business cases are developed for housing or urban regeneration projects and are submitted for approval by the Board and/or Council. (Three year targets - Housing and urban regeneration combined)	Three year target Business cases are prepared for at least three Council Housing for the Elderly sites to endeavour to achieve more intensive use of the sites for housing while retaining at least the current number of Council Housing for elderly units.		Target is on track. HFOP project currently underway. Two business cases for the intensive use of sites for Housing for the Elderly have been completed to date against a 3 year target of three business cases.

Measure	Year-end target	Achieved? (RAG Status)	Last Actual
	<i>Three year target due at end of June 2017.</i>		
	<p>Three year target</p> <p>Business cases to be prepared for ten housing development projects with an affordable housing component which will include private and other sector partners and may involve the Strategic Development Fund.</p> <p><i>Three year target due at end of June 2018.</i></p>		<p>Target is on track.</p> <p>To date, five business cases have been prepared to use the Strategic Development Fund for housing development projects against a 3 year target of ten projects.</p>
<p>18. Development Agreements</p> <p>Development agreements are submitted to the ACPL Board and/or Council for approval.</p> <p>(Housing and urban regeneration combined)</p>	<p>Three year target</p> <p>Five joint venture or agreements with third parties including community housing organisations to be entered into.</p> <p><i>Three year target due at end of June 2017.</i></p>		<p>Target is on track.</p> <p>To date, two joint venture agreements with third parties have been completed against a 3 year target of five joint venture agreements.</p>
	<p>Three year target</p> <p>Twenty six development agreements with third parties including community housing organisations to be entered into.</p> <p>Three year target due at end of June 2018.</p>		<p>On track and progressing</p> <p>Currently gathering information on the progress of development projects and agreements.</p>

Symbol	RAG Status	Definition
	Achieving	Performance on target or better. (This category also includes where a baseline has been established).
	Progressing	Target may not be met, corrective action taken.
	Improvement needed	Target may not be met, action required.

Note: Only key performance measures have been reported during the quarter. Other SOI performance measures are measured annually and will be reported at the end of the financial period.

9. Contribution to Māori outcomes

The table below shows Panuku's progress on SOI project and initiatives contributing to Māori outcomes.

Key project and initiatives	Description	Progress
Maori Responsiveness Plan refresh	Refresh an amalgamation of WA and ACPL Maori Responsiveness Plans by end 2015/16 and ongoing implementation of initiatives. Staff training to increase internal capacity. Continued input to Te Toa Takitini (led by Te Waka Angamua) where DA can contribute to delivery of priority projects.	Implementation of the common or immediately achievable actions are continuing to progress. This includes the embedding of Māori Responsiveness at the highest level in the Panuku strategic framework, such as in the SOI, project engagement at design level, capacity building and strengthening the pathway for exploring commercial interests with Māori. Capacity training sessions with the Senior Leadership Team and staff will be held during November and December 2015. Panuku is also providing input into developing Te Toa Takitini Whare for Life Work programme.
Maori Engagement Forum establishment	Establish and manage a robust inclusive monthly Mana Whenua Forum to enable relationship with DA and facilitate input to DA projects. Identify Iwi interested in DA projects and facilitate input. Coordinate efficient engagement with Council family to streamline	A forum has been established and the first meeting was held on 20 October 2015. Detailed input into projects is progressing. Projects include Westhaven, Wynyard Quarter and the Civic Administration Building. Feedback is also ongoing on the potential sale sites. This includes working through cultural significance considerations for Te Taouma/ Purchas Hill.

Key project and initiatives	Description	Progress
	<p>engagement with mana whenua and mataawaka.</p> <p>Continue to share information with the Independent Maori Statutory Board (IMSB). DA will contribute information required for Te Tiriti Audit and will take account of IMSB's Schedule of Issues of Significance, The Maori Plan and the suite of statutory provisions relevant to our activities.</p>	<p>A current priority is seeking input into the Priority Development Location Selection process, the outcome of which will inform our future engagement work programme.</p> <p>Panuku coordinates hui using the council's centralised mana whenua engagement schedule which is held by Te Waka Angamua.</p> <p>There is ongoing engagement with IMSB on current discussions and issues, including the overview meeting on 1 October – Panuku re-set.</p> <p>This includes alignment of strategic and operational planning with IMSB Māori Plan objectives and the adoption of Māori Engagement paper by the Panuku Board in October.</p>
Maori Development Opportunities	<p>Engagement with Iwi on commercial and housing development partnering opportunities in urban redevelopment projects and opportunities to purchase properties surplus to council requirements</p> <p>Explore any means to improve the coordination and efficient engagement with mana whenua and mataawaka around potential disposal properties and properties that may become available for development.</p> <p>Explore Iwi Investment Fund</p>	<p>Panuku continues engagement on commercial and housing development opportunities through the portfolio Rationalisation Process and face to face meetings with Panuku Chief Executive throughout September and October.</p> <p>Expressions of interest in properties are also under discussion with development and disposals teams.</p> <p>Māori responsiveness outcomes have been incorporated into ACPL's Policy for Negotiating Agreements with Developers which has been transferred to Panuku.</p> <p>Work is also underway to further define the process for progressing commercial opportunities with Māori.</p>
Recognition and celebration of Maori cultural values and heritage	<p>Maori cultural input to development projects: Identification of opportunities for mana whenua in terms of urban design, art, landscaping, narratives, naming, etc, and application of Te Aranga Maori Design principles in DA development projects</p> <p>Promotion of te reo Maori (new streets, laneways, buildings,</p>	<p>A Te Aranga Design Principle matrix has been developed for the Westhaven area and projects. Implementation of opportunities is underway through design workshops.</p> <p>A Te Aranga Design Principle matrix was also developed for Wynyard Central projects. A preferred name for the East West street has been agreed with mana whenua. Engagement with local board will</p>

Key project and initiatives	Description	Progress
	<p>wayfinding signage and communications)</p> <p>Support for Maori-focussed events at the waterfront</p>	<p>follow. Implementation of the remaining opportunities is underway through design workshops.</p> <p>Te Aranga Design Principle application is embedded in the EOI and RFP process for Civic Administration building.</p> <p>For Maori-focussed events at the waterfront, Matariki on the Waterfront was successfully held during the quarter with an estimated 25,000 people in attendance. In terms of integration across the rest of the Wynyard Quarter Place Programme, planning is underway for a “Kai Moana trail”, in collaboration with ATEED as part of Auckland Anniversary Weekend celebrations. We have also arranged the use of Vos Shed for Nga Whaotapu o Tamaki Makarau, for their ongoing projects and are continuing to work with Ngati Whatua on integration of their public programmes with waterfront activities, and vice versa.</p>

Initiative	How it contributes to Maori outcomes	Spend to date \$000	Forecast total spend \$000
Maori engagement	Improves public space and activities through input from Iwi	\$ 64.8	\$ 170
Maori technical/specialist advice	Ensures that public spaces and developments respect and reflect Maori culture and history.	\$ 22.9	\$ 185
Maori koha		\$ 0	\$ 5

10. Key Local Board issues

With the recent formation of Panuku Development Auckland, we wanted to inform the local boards about the role of Panuku, what it does and our range of activities. As part of early engagement, the Chief Executive attended the Local Board Chairs forum in September.

An initial 'Welcome to Panuku' session was held in early October. We ran two sessions and both were very well attended by the local boards. Feedback from the local boards and their support staff was that the sessions were productive and informative.

We also held a Local Board Services workshop in October for around 30 local board services staff. The session covered general background on Panuku, Priority Location selection, Rationalisation, Optimisation and Place making. The session was very well received and we will look to engage with this audience on a quarterly basis. The workshop enabled a free and frank discussion about the 'hot topics' concerning local boards and Panuku.

Development Location selection workshops are also being held to inform and consult with local boards of the possible impacts on their areas from the short list of priority locations and as candidates for large scale comprehensive redevelopments. The first workshop was held on 29 October and at least 30 members and staff attended. The Chief Executive and the Director of Strategy and Engagement talked specifically on the Board's initial thinking on the full work programme. Feedback from members is open until 13 November and responses will be discussed at the November Panuku Board meeting.

A number of local boards are starting to request one on one workshops which are being organised as they arise.

A draft Local Board Engagement plan is currently being prepared and will be presented to board for approval in November.

11. Risk Management

Panuku Development Auckland has a comprehensive risk management framework (based on AS/NZA ISO 31000 Risk Management – Principles and Guidelines). This framework includes:

- Monthly review of risks by the Board
- A Conflict of Interest Policy and Protocol for Board Members, Executive and Staff
- An annual independent audit completed by Audit NZ
- A Health and Safety Policy and monitoring framework, reviewed monthly by the Board.

The risk register is reviewed monthly by the Executive and the Board.

The key strategic risk relates to the funding of new projects identified through location High Level Project Plans. This risk will be managed through the high level request to Council for approval of new projects opex and capex.