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**REPORT 1**  
*(1215/52/IM)*

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## **DRAFT WATERFRONT DEVELOPMENT PLAN 2008/09**

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### **1. Purpose of Report**

The purpose of this report is to:

- present the Draft Waterfront Development Plan for 2008/09, for consultation with the public; and
- seek the Committee's agreement to recommend that the Council amend the Annual Plan for 2008/09 in respect of the short term advance to Wellington Waterfront Limited.

### **2. Recommendations**

It is recommended that the Committee:

1. *Receive the information*
2. *Approve the draft Waterfront Development Plan, attached as Appendix 4 to the officer's report, for consultation with the public*
3. *Delegate to the Chief Executive and the Portfolio Leader for Urban Development and Transport the authority to approve any minor editing amendments required to the Plan before it is published for consultation*
4. *Note that officers will report back to the Committee in August 2008 on the outcomes of the consultation process*
5. *Note that the Council Controlled Organisations Performance Subcommittee will review a ten year financial forecast provided by Wellington Waterfront Limited and Wellington Waterfront Limited's business plan at its meeting on 20 June 2008. If that Subcommittee has any recommendations for Council to consider then they will be referred to Council on 27 June 2008*
6. *Agree that officers will provide a paper to the Committee in September 2008 outlining the options for the waterfront's future activities - including development, operating and any short term advances and associated repayments for 2009/10 and out years - for inclusion in the 2009/10 Long Term Council Community Plan*

7. *Agree to recommend to Council that it amend the 2008/09 Annual Plan to reduce the short term advance (cx131) provided to Wellington Waterfront Limited in 08/09 from \$7,950,000 to \$5,971,000 and the repayments from \$3,900,000 to nil. This increases the net year end short term advance from \$4,050,000 to \$5,971,000.*

### **3. Discussion**

After the disestablishment of the Waterfront Development Subcommittee, the Strategy and Policy Committee is now charged with approval of an Annual Development Plan for the waterfront. The Waterfront Framework states that this is to be done through a balance of making good progress on the waterfront and providing the public with sufficient opportunity to be involved in the process. The development plan flows directly from the Framework.

Wellington Waterfront Limited (WWL) is planning to transfer its activities relating to development and management of the waterfront to the Council by 2011/12.

In order to draft the Waterfront Development Plan, officers have requested a ten year forecast of waterfront revenue and expenditure and draft business plan financials from WWL. These are presented in this paper to provide context for the draft Waterfront Development Plan.

As a consequence of the information provided by WWL and the draft Waterfront Development Plan, officers are recommending that the 08/09 budgets for the waterfront in the 2008/09 Annual Plan be amended for approval at the Council meeting on 27 June 2008.

The Council Controlled Organisations Performance (CCOP) Subcommittee requested that WWL provide it with a ten year financial forecast. It will review this information and the WWL business plan at its meeting on 20 June 2008. If the CCOP Subcommittee has any recommendations for Council to consider then they will be referred to Council on 27 June 2008.

#### **3.1 Ten Year Waterfront forecast**

WWL's ten year cash forecast for the waterfront revenue and expenditure is presented in Appendix 1. Council officers have used these numbers to present an amended ten year forecast of waterfront revenue and expenditure, presented in Appendix 2.

Both forecasts exclude the costs of the Technical Advisory Group and Council officer monitoring. They also assume that the development of the Outer-T is at no net cost to Council. However there are four key differences between the two sets of numbers:

### **3.1.1. Events**

The WWL forecast includes no expenditure on events. Council and WWL agreed last year that WWL would provide Council with \$431,000 to run events on the waterfront, a role that WWL has been funded for and previously performed. Council's decision last year was to transfer the responsibility for running events not to discontinue funding events on the waterfront. WWL's forecast has excluded this cost from its cash forecast as it considers that events are no longer part of core waterfront activity. Officers consider that waterfront events continue to perform the important function of attracting people to the waterfront and encouraging use of this important Council asset; and that the waterfront had previously been funded to carry this activity out. Officers have included \$431,000 per annum for events in their forecast.

### **3.1.2. Waitangi Park maintenance**

The WWL forecast has reduced the amount provided to maintain Waitangi Park from \$240,000 to \$150,000. This is on the basis that contracts with the landscape designer and park maintenance manager necessary to address any initial 'teething' issues have expired and assumptions that the Council will bring economies of scale to the overall management of the Park. Officers have reviewed the amount that Council has spent on Waitangi Park maintenance and this has shown that the full \$240,000 should be included in the waterfront costs. Waitangi Park is an important public space that should be maintained to a high standard, and is also an important event venue which has a consequential impact on maintenance.

### **3.1.3. Depreciation**

WWL's forecast is on a cash basis only. While it includes depreciation in its financial statements, WWL does not fund it. Council policy is to fund depreciation and therefore officers have included depreciation from the date that the project returns to Council management. The depreciation included is based on WWL calculations. Officers have yet to undertake a thorough review of the figure.

### **3.1.4. Staff costs**

WWL has included staff costs within the overhead cost for the years in which WWL is the project manager and \$300,000 per annum when the project returns to Council. Officers have included a staff cost of \$400,000 for the years where Council manages the project. The role of these staff will be property management and coordination of waterfront activities such as events and maintenance as well as negotiations of any outstanding developments (e.g. Sites 1 -4). Once any outstanding negotiations have been completed, we would expect this figure to reduce further.

### **3.1.5. Management fee**

The Council provides WWL with a management fee of \$1,650,000 for the cost of running the company. WWL is budgeting to spend \$2,005,000 on the running

costs. It appears that WWL have previously classified some operating costs differently and this change in the classification has resulted in WWL budgeting more than the agreed management fee. We note that the management fee has been as high as \$1,900,000 in the past and has been reduced in the last two years at the agreement of WWL. WWL do not believe that it is possible to reduce the management costs of the company in the 08/09 year. Rather than adjust the annual plan, officers suggest that the management fee is reviewed as part of the report back to the Committee in September 2008.

### **3.1.6. Conclusion**

The difference in the two forecasting approaches has two results. Firstly, unlike the WWL calculation, under officers' calculations WWL will repay the short term advances over 5 years if its development assumptions are carried out.

Secondly, officers' calculations show that a significant increase in the amount included for waterfront expenditure in the Long Term Council Community Plan (LTCCP) is required; whereas the WWL calculation shows expenditure on the waterfront similar to that in the current LTCCP.

Given the significant potential increase in waterfront funding required for the LTCCP, officers recommend that a paper outlining potential future options for waterfront development, operations, and any short term advances and repayments is presented to Council for consideration as part of the LTCCP.

### **3.2 WWL Draft Business Plan**

The draft WWL business plan financials are attached as Appendix 3. While officers have discussed this draft business plan with WWL, no officer advice on the draft plan financials is presented in this paper. Officers will form a view on the business plan after public consultation on the draft Waterfront Development Plan.

#### **3.2.1. Public Space**

The public space work that WWL's business plan for 07/08 scheduled for 08/09 has been significantly reduced in the current draft business plan for 08/09 as shown in the table below.

Public Space	WWL BP 07/08 for 08/09	WWL BP 08/09 for 08/09
Outer T	\$1,250,000	-
Taranaki Street Wharf	\$5,300,000	\$1,000,000 (*)
Minor works	\$500,000	\$450,000
Shed 13 interior fit-out	-	\$625,000
<b>Total</b>	<b>\$7,050,000</b>	<b>\$2,075,000</b>

(\*) \$560,000 relates to agreed payment to Tenth Trust for the wharewaka.

### **3.2.2. Commercial receipts**

WWL's business plan for 07/08 forecast commercial receipts in 08/09 from the Overseas Passenger Terminal (OPT) and marina berth sales in 08/09. Given the appeal of the OPT resource consent to the Environment Court, the current draft business plan forecasts no commercial receipts for the 08/09 year. WWL is not planning to sell any marina berths until construction of the OPT redevelopment is confirmed.

### **3.2.3. Operating revenue and expenditure**

Both operating revenue and expenditure are higher than were budgeted for 08/09 in last year's WWL business plan. Revenue is higher as car parking revenue continues to be earned on potential development sites and expenditure is higher due to increases in planning costs and other cost escalation.

Planning costs for 08/09 in WWL's business plan for 08/09 are \$1,500,000. These relate to consultant costs for design, district plan changes, resource consents and planning for the Queens Wharf precinct (including the Outer T).

Officers note that the operating costs of the company are \$2,005,000 (\$1,805,000 overheads + \$200,000 public relations) which is in excess of the \$1,650,000 that the Council provides WWL to run the company. The difference is funded from commercial proceeds.

### **3.2.4. Short term advance**

The delay in commercial receipts mean that the short term advance cannot be repaid in the three years as presented to Council in June last year. The table below shows the forecast year-end outstanding amount:

<b>Year</b>	<b>2007 Paper to Council</b>	<b>WWL Business Plan 08/09</b>	<b>Officer calculation</b>
<b>07/08</b>	\$4,600,000	\$3,900,000	\$3,900,000
<b>08/09</b>	\$8,650,000	\$9,350,000	\$9,871,000
<b>09/10</b>	0	\$4,800,000	\$5,840,000
<b>10/11</b>	0	(\$600,000)	\$960,000
<b>11/12</b>	0	(\$600,000)	(\$940,000)

The difference between the WWL business plan and officer calculations is the officer inclusion of \$431,000 for events, an additional \$90,000 for Waitangi Park maintenance – which are the current agreed funding levels for these activities. In WWL's forecast, the maximum advance is \$19,700,000 in March 2010. That is, when the advance is calculated on a monthly basis, rather than just year end as the table above shows, the highest amount it reaches in the WWL calculations is \$19,700,000.

### **3.2.5. Conclusion**

A final business plan will be presented to Council along with a final Waterfront Development Plan in August 2008 incorporating the results of the consultation. Both documents should only be for one year given the work that needs to be done by officers in preparation for the 2009/10 LTCCP.

### **3.3 Draft Waterfront Development Plan**

The Waterfront Development Plan for 2008/09 is the ninth plan developed, and informs the business plan for WWL which is to be presented to the Committee along with the final Waterfront Development Plan in August 2008. Officers have considered the draft WWL business plan and the ten year forecast provided by WWL in drafting the Waterfront Development Plan. The draft Waterfront Development Plan for 2008/09 is attached in Appendix 4.

#### **3.3.1. Focus for current year**

The key focus of the draft Plan is planning for commercial sites (sites 8, 9 and 10), the Queens Wharf precinct and public space projects. Planning costs of \$1,500,000 is included in the expenditure estimates. Planning will take place for Sites 8,9 and 10, the Queens Wharf precinct, Frank Kitts Park and Taranaki Street Wharf.

The WWL business plan includes \$2,075,000 of public space development which officers believe is achievable and consistent with the Framework and previous Waterfront Development Plans. Therefore officers have included the same public space expenditure in the draft Plan. Officers note that the draft Plan states that the \$625,000 for the interior fit-out of Shed 13 should only occur once a commercial tenant has been secured for Shed 13, and the \$440,000 of non-wharewaka TSW expenditure should only occur once construction of the wharewaka has commenced. The \$450,000 included for minor works includes \$250,000 for Kumutoto, \$100,000 for Hunter Street traffic control and \$100,000 for art work.

#### **3.3.2. Out years**

In previous years the draft Plan has outlined in detail the activity for the current year and provided high level financial information for the two subsequent years. It is proposed that no information is provided for the subsequent years in this year's draft Plan. This is because the information will be superseded by the 2009/10 LTCCP, which the public will be consulted on. An explicit requirement that WWL make no contractual commitments in the out years without Council approval of a ten year financial plan for the waterfront is included in the draft Development Plan. This in effect requires that Council approval is required before Frank Kitts Park can be contracted.

### **3.3.3. Consultation**

The Plan will be consulted on over four weeks in July. Members of waterfront distribution lists will be invited to comment, it will be posted on Council's website and the consultation will be advertised so that the members of the community can make submissions if they wish to and feedback will be reported to the Committee.

Any minor amendments to this plan prior to it being issued for consultation will be approved by the Chief Executive and the Urban Development and Transport Portfolio Leader.

Any changes to the Development Plan as a result of the public consultation will be made and followed through into WWL's business plan where relevant. The final Development Plan and WWL Business Plan will be presented to the Strategy and Policy Committee for approval in August.

### **3.3.4. Conclusion**

The draft Plan relates only to the 2008/09 year. The key focus is on planning commercial and public space developments. The public will be alerted to the opportunity to comment on the waterfront operations in subsequent years through the LTCCP consultation. Under the draft Plan, WWL would refrain from making any contractual commitments without Council approval beyond the 2008/09 year.

### **3.4 2008/09 Annual Plan**

Officers recommend amending the 2008/09 Annual Plan to include the higher net short term advance amount to WWL for that year (from \$4,050,000 to \$5,971,000). Officers recommend further changes to the waterfront expenditure are made to the 2009/10 LTCCP if required after a review of options for the waterfront is presented to Council.

The short term advance to WWL currently sits outside the Council's policy of a \$20 million new capital expenditure cap. Officers recommend that the advance continues to sit outside the cap until further analysis is undertaken and reported back to Council for the 2009/10 LTCCP.

## **4. Conclusion**

Subject to the Committee's approval of the draft Development Plan, feedback from the community will be sought. A report on the submissions made and any recommendations for changes will be provided to the Committee meeting that follows the close of the submission period (likely August 2008). The final Wellington Waterfront business plan for the 08/09 year only will then be provided to the Strategy and Policy Committee for approval at the same time.

Officers will provide the Council with a paper on future options for waterfront development, operations, and any short term advances and repayments for consideration in September.

Contact Officer: *Sarah Polaschek, Portfolio Manager, Council Controlled Organisations*

## Supporting Information

### **1) Strategic Fit / Strategic Outcome**

*The Waterfront Development Plan would contribute to the following Council outcomes:*

*More Liveable – Wellington will be a great place to be, offering a variety of places to live, work and play within a high quality environment.*

*Stronger sense of place – Wellington will have a strong local identity that celebrates and protects its sense of place, capital-city status, distinctive landform and landmarks, defining features, history, heritage buildings, places and spaces.*

*More Eventful – Wellington will maximise the economic value from promoting and hosting high-profile events.*

*More Prosperous – Wellington's urban form, and flexible approach to land use planning in the central city, will contribute to economic growth and prosperity.*

### **2) LTCCP/Annual Plan reference and long term financial impact**

*C378 Wellington Waterfront Project*

*A312 Wellington Waterfront operations*

*CX131 Wellington Waterfront development.*

*Recommends a change to the 2008/09 LTCCP.*

### **3) Treaty of Waitangi considerations**

*Maori have had a long connection with the harbour and waterfront that continues today. There are several sites of significance for iwi around the waterfront including Waitangi Lagoon and Te Aro Pa.*

### **4) Decision-Making**

*This is not a significant decision. The report deals with a strategic asset, but does not propose any changes to the development plan.*

### **5) Consultation**

#### **a) General Consultation**

*Consultation will be undertaken on the draft development plan. All affected parties will be included, and any feedback will be reported to the Committee.*

#### **b) Consultation with Maori**

*Representatives from Council's mana whenua Treaty partners – Wellington Tenth Trust and Te Rūnanga o Toa Rangatira were involved in the development of the Wellington Waterfront Framework that underpins the Waterfront Development Plan.*

### **6) Legal Implications**

*There are no implications from this report.*

### **7) Consistency with existing policy**

*This report is consistent with existing WCC policy on waterfront development.*

