
REPORT 5
(1215/52/04/IM)

WELLINGTON WATERFRONT PROJECT BUSINESS PLAN 2007/08

1. Purpose of Report

The purpose of this report is to present the Wellington Waterfront Project Strategic Plan for 2007-2010 and the Business Plan for 2007/08.

2. Recommendations

It is recommended that the Subcommittee:

- 1. Receive the information.*
- 2. Recommend that the Strategy and Policy Committee approves the draft WWL Business Plan for 2007/08 subject to any changes resulting from consideration of Report 4 (Consultation on the draft Waterfront Development Plan).*

3. Discussion

The Wellington Waterfront Business Plan flows from the Waterfront Development Plan, which is also to be considered by the Subcommittee. After consultation on the draft Development Plan, the Subcommittee may suggest changes to both the Development Plan and the Business Plan. Following this process the Business Plan is to be presented to the Strategy and Policy Committee for consideration and approval in September 2007.

3.1. Overview of the Plan

The Wellington Waterfront Business Plan is provided within the updated Strategic Plan, and outlines the work to be carried out for 2007/08. The Strategic Plan provides a more indicative plan for the three years 2007-2010 in the context of the company's assessment of its operating environment.

2006/07 review

In order to provide some context for the 2007/08 business plan, it is worth noting the priorities that were listed in the 2006/07 plan. The business plan for 2006/07 noted that the vision of the Wellington Waterfront Framework would be made real, with the delivery of a number of significant projects as outlined below:

- Refurbishment of Shed 13
- Securing lease agreements for Site 7 ground floor tenants
- Construction of Kumototo public space, stage one
- Lodging resource consents for the OPT and Clyde Quay wharf
- Completing the design brief for the redevelopment of Frank Kitts Park
- Completing the concept designs for Sites 8, 9 & 10
- Completing and opening the Chaffers Dock and Boathouse development.

A review of the results against plan is undertaken as part of the quarterly monitoring reports to the CCO Performance Subcommittee. Significant progress was made on a number of projects and some of the above targets were achieved. Several of the projects listed above are now expected to be completed in 2007/08. It is hoped that the OPT resource consent will be granted in 2007/08 year so that construction can begin.

The budgeted public space capital expenditure for 2006/07 was \$11.46 million, and the actual for the year was \$8.4 million. The main difference is the later finishing of the Kumototo public space, with expenditure now falling in 2007/08.

Strategic changes

WWL has commenced a comprehensive succession planning programme to facilitate a smooth transition of the Project from WWL to WCC, when the waterfront Project reaches completion.

Other changes

The draft business plan includes some noteworthy changes from last year which are detailed below:

- Delaying the redevelopment of Frank Kitts Park from 2008/09 to 2009/10. This delay will help smooth capital expenditure and mean that further temporary advances from the Council are not required by the Company
- Delaying the redevelopment of the Taranaki Street Wharf public expenditure from 2007/08 to 2008/09. This delay will help smooth

expenditure and mean that the development can coincide with the building of the wharewaka

- Reduction of the management fee from \$1.9 million per annum to \$1.75 million per annum.

2007/08 priorities

The top priorities in the 2007/08 business plan are:

- Refurbishment of the exterior of Shed 13 completed by 1 August 2007
- Site 7 ground floor tenants fully tenanted
- Arrangements are entered into with the New Zealand Centre for Photography and New Zealand Portrait Gallery for a two-year trial period in Shed 11 to establish the viability of these organisations establishing a permanent gallery space in this venue in the future
- Stages 1 & 2 of Kumutoto public space completed by December 2007 within budget and to approved quality criteria
- Construction of wharewaka commenced, subject to Wellington Tenth Trust funding
- Resource consents lodged for the redevelopment of the Overseas Terminal and Clyde Quay wharf
- Concept designs completed for sites 8, 9 and 10.

The planned public space capital expenditure for 2007/08 is \$12.70 million, which is a decrease of \$4.6 million on the previous year's projections. The planned expenditure mainly comprises development on Kumutoto, the TSB Bank Arena and the Outer T whilst deferring work on Taranaki Street Wharf. The underground carpark planned for Waitangi Park area 3, which was included in last year's forecast, has been removed.

3.2. Financial implications

The Council's allocation of up to \$15 million for the life of the project is forecast to be fully utilised in 2007/08. In order to complete both contracted and anticipated public space expenditure, temporary additional funding on the Wellington Waterfront project is required to bridge the forecast timing difference between paying for the development of public spaces (such as Kumutoto, Shed 13 and the Chaffers Dock promenade) and the receipt of funding from commercial developments. As shown in the table below this temporary additional funding is scheduled to be paid back in the 2009/10 year. The interest on this funding is going to be paid by the WWL Project.

The total Council funding in the table below includes the separate TSB Arena upgrade which was not included as part of the Waterfront Framework. The cost of this has reduced from \$2.6 million to \$2.12 million.

Capital Expenditure – WCC		
<i>\$million</i>	Business Plan 2006/07	Business Plan 2007/08
2004/05		
2005/06	4.0	4.0
2006/07	10.48	7.57
2007/08	0.0	10.15
2008/09	3.12	4.05
2009/10		(8.65)
TOTAL	17.6	17.12

As noted last year, implementing the Project is expected to extend beyond the timescales originally anticipated. Beyond that point, there is likely to be a net operating cost for the waterfront, including property management and maintenance, which WWL are currently estimating. The LTCCP currently provides for an annual amount of \$1.75 million (inflation adjusted) to allow for the WWL management fee to the end of the project, and for the ongoing maintenance of the waterfront thereafter.

3.3. Risk evaluation

The risks identified by WWL continue unchanged from last year with one exception. WWL reports that the Wellington property market, particularly for apartments, is stronger than previously reported. This is evidenced by strong demand for the apartments at Chaffers Dock and boathouses and the Chews Lane development.

Progressing projects which attract significant public attention through the design brief and resource consent stages would appear to be one of the most significant risks the Company faces. The possible concerns of all stakeholders within the community must be thoroughly researched and addressed within the project planning.

If the Hilton decision is overturned in the Environment Court the commercial proceeds from this development will not eventuate. This will result in further pressure on cashflow and, without further temporary additional funding, delay of public expenditure.

4. Conclusion

The draft Business Plan has no significant changes to the planned public space or to the commercial developments though the timing and priorities have changed for a number of the sites. WWL has drawn down \$12 million in previous years. Over the next three years the Company expects to draw down a further \$5.12 million, giving a total net capital expenditure contribution from Council of \$17.12 million over the life of the project (including the \$2.12 million for the TSB Arena upgrade). The net draw down in the next three years will

consist of additional temporary funding in 2007/08 and 2008/09 and repayment of this in 2009/10.

The Business Plan recognises that a number of factors can impact on the achievement of the work plan, and WWL will be working to manage these risks.

As noted previously, the Business Plan flows on from the Waterfront Development Plan. Both will be presented to the Subcommittee on 22 August and it is acknowledged that any changes to the Development Plan may require a corresponding change to the Business Plan.

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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.

In accord with the 2007/08 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 has been undertaken on the draft development plan. All affected parties were included, and feedback is being reported to the Subcommittee.

b) Consultation with Maori

Representatives from Council's mana whenua Treaty partners – Wellington Tenth's 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.

Appendix One