

# PROSPEROUS NAPIER COMMITTEE Open Minutes

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Meeting Date: Tuesday 26 July 2022

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Time: 10.41am - 11.19am (Open)  
11.25am - 11.45am (Public Excluded)

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Venue The Ocean Suite  
East Pier Hotel  
50 Nelson Quay  
Napier

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*Livestreamed via Council's Facebook site*

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Present **Chair:** Councillor Taylor  
**Members:** Mayor Wise, Deputy Mayor Brosnan, Councillors Crown, Mawson [Zoom], McGrath, Price, Simpson, Tapine and Wright

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In Attendance Acting Chief Executive (Richard Munneke)  
Deputy Chief Executive / Executive Director Corporate Services (Jessica Ellerm)  
Executive Director City Services (Lance Titter)  
Executive Director Infrastructure Services (Debra Stewart)  
Acting Executive Director Community Services (Darran Gillies)  
Manager Communications and Marketing (Julia Atkinson)  
Chief Financial Officer (Caroline Thomson)  
Investment and Funding Manager (Garry Hrustinsky)  
Manager Property (Bryan Faulknor)

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Via Zoom Link Pou Whakarae (Mōrehu Te Tomo)  
Māori Partnership Manager - Te Kaiwhakahaere Hononga Māori (Beverley Kemp-Harmer)  
Te Kaiwhakahaere Hononga Māori (Hilary Prentice)  
Team Leader Community Strategies (Emma Morgan)  
Community Funding Advisor (Belinda McLeod)

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Administration Governance Advisors (Carolyn Hunt and Anna Eady)

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### Apologies

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Councillors Price / Simpson

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That the apologies from Councillor Browne, Councillor Boag and Councillor Chrystal be accepted.

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Carried

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### Conflicts of interest

Nil

### Public forum

Nil

### Announcements by the Mayor

Nil

### Announcements by the Chairperson

- Councillor Wright who had chaired the Napier People and Places Committee, had indicated that she would not be seeking re-election and the Chair wished to publicly acknowledge and thank Councillor Wright for her 18 years service to the community during that time as a Councillor.
- The Chair welcomed and introduced the Deputy Chief Executive / Executive Director Corporate Services, Jessica Ellerm who had been seconded from the Hawke's Bay Regional Council for the next twelve months.

### Announcements by the management

Nil

### Confirmation of minutes

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Councillors Crown / Brosnan

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That the Minutes of the meeting held on 9 June 2022 were taken as a true and accurate record of the meeting.

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Carried

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# AGENDA ITEMS

## 1. INVESTMENT PROPERTY PORTFOLIO REVIEW

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<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1477991
<i>Reporting Officer/s &amp; Unit:</i>	Bryan Faulknor, Manager Property

### 1.1 Purpose of Report

To update the Committee on the performance of the Napier City Council's Investment Property Portfolio (Leasehold Land) and provide a recommendation on whether to continue to allow freeholding.

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#### At the meeting

The Manager Property, Mr Faulknor spoke to the report providing an update on the financial performance on Council's investment portfolio on leasehold land and whether to continue to allow freeholding.

The Manager Property, Mr Faulknor highlighted the key proposed changes to the Investment Policy, which consisted of 61 leases remaining. Council owned the land and lessees owned the improvements. The properties were mostly situated in the Onekawa/Pandora Industrial area and Ahuriri, particularly along West Quay.

In summary the portfolio has been attractive and justified putting a hold on freeholdings and keeping the portfolio that performed well in terms of capital gain and passing rentals. There is often negative sentiment towards leasehold land and there was a need to be careful that leasehold tenure does not stop development in Napier.

The report on the Investment Property Portfolio Review had been presented to the Audit and Risk Committee at its meeting on 29 June 2022, who endorsed Council to allow freeholding on non-strategic land on a case by case basis in accordance with the Policy.

#### In responses to questions it was clarified:

- In regard to engagement with Mana Ahuriri on land parcels Mr Te Tomo confirmed that Council was always looking to engage with Mana Ahuriri, however settlement had only just been completed and due to their lack of resource it may take some time to understand the processes.
  - The Acting Chief Executive, Mr Munneke advised that it was Council's intention to continue work with Mana Whenua and foster partnerships. The Ahuriri settlement had only recently been completed and worked through historic issues. If there was reason to engage with Mana Ahuriri it would be pursued however they were not investment partners.
  - In the current climate the Investment Property Portfolio (Commercial and Industrial Leasehold land) appeared to be a very safe and desirable investment.
  - Freeholding of non-strategic land would be based on case by case basis.
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- The portfolio was receiving generally a low cash return of 3% which is cash rental coming in divided by the value of the portfolio and is relatively low due to land values. However, the portfolio has performed very well when taking into account capital gains, and looking at overall returns.
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**COMMITTEE** Mayor Wise / Councillor Simpson

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**RESOLUTION**

The Prosperous Napier Committee:

- a. **Resolve** to receive the report prepared by PricewaterhouseCoopers (*Doc Id 1478676*) reviewing the Napier City Council's Investment Property Portfolio.
  - b. **Resolve** that Council continue to allow the freeholding of non-strategic land on a case by case basis in accordance with the Investment Property Portfolio Policy.
  - c. **Noting** that Council's amended Investment Policy has now been completed and suitable alternative investment opportunities have been identified for Council's consideration.
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Carried

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## 2. INVESTMENT POLICY REVIEW

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*Type of Report:* Operational

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*Legal Reference:* Local Government Act 2002

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*Document ID:* 1477103

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*Reporting Officer/s & Unit:* Garry Hrustinsky, Investment and Funding Manager

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### 2.1 Purpose of Report

The purpose of this report is to highlight and explain key proposed changes to the Investment Policy and to introduce the draft Statement of Investment Policies and Objectives (SIPO).

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#### At the meeting

The Investment and Funding Manager, Garry Hrustinsky spoke to the report highlighting the key proposed changes to the Investment Policy included:

- Holding strategic investments has been expanded to include cultural benefits and providing specific examples of strategic investments.
  - Creating a distinction in the Policy between risk appetite for different asset classes rather than being risk averse for all asset classes.
  - Logical flow has been introduced to the Policy creating a clear introduction and an explanation of what Council can invest in and a subset of rules for each of those investments
  - Definitions have now been included for trader investments and replaced with an investment guide.
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- A separate statement of investment policies and objectives has been established (SIPO) which includes options for managing funds from leasehold properties.

**In responses to questions it was clarified:**

- The Statement of Investment Policies and Objectives (SIPO) was reviewed every three years with an annual review undertaken with the Audit and Risk Committee involved to ensure the risk perspective and responsibilities have been performed.
- Investment strategy is long term view and sometimes events during the year may trigger a review if there is a significant downturn in the market.
- The Investment Policy in SIPO is a governing document in Council and is a live document which can be updated at any time. It is for the Committee and Council to give guidance to staff in terms of the objectives of the investment policy and the strategy of Council.
- If one of the objectives of the Committee is to include cultural objectives in the investment strategy then it is the Committee's priority to provide guidance to staff. The objectives of the Policy do not currently give that instruction and stronger direction in giving guidance would need to be provided by the Committee.

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**COMMITTEE** Councillors Tapine / Crown

**RESOLUTION**

The Prosperous Napier Committee:

- a. **Approve** the amended Investment Policy as presented (*Doc Id 1471211*)
- b. **Approve (in principle)** a draft copy of the Statement of Investment Policies and Objectives (*Doc Id 1471214*)
- c. **Note** that agreement on risk appetite for the Statement of Investment Policies and Objectives (the allocation to income and growth assets) and a portfolio distribution policy must be established by Council prior to adoption of the Statement of Investment Policies and Objectives.

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Carried

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# PUBLIC EXCLUDED ITEMS

Councillors Brosnan / Price

That the public be excluded from the following parts of the proceedings of this meeting, namely:

1. Delegation Review
2. Debt write off

Carried

The general subject of each matter to be considered while the public was excluded, the reasons for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution were as follows:

<b>General subject of each matter to be considered.</b>	<b>Reason for passing this resolution in relation to each matter.</b>	<b>Ground(s) under section 48(1) to the passing of this resolution.</b>
1. Delegation Review	7(2)(g) Maintain legal professional privilege	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
2. Debt write off	7(2)(a) Protect the privacy of natural persons, including that of a deceased person	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except

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		7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
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*The meeting adjourned at 11.19 and reconvened in Public Excluded at 11.25am*

*The meeting closed at 11.45am*

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Approved and adopted as a true and accurate record of the meeting.

Chairperson .....

Date of approval .....