



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*

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# MĀORI CONSULTATIVE COMMITTEE

## Open Agenda

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Meeting Date:	Tuesday 13 February 2018
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Time:	3.00pm
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Venue:	Council Chamber Hawke's Bay Regional Council 159 Dalton Street Napier
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Committee Members	Piri Prentice (In the Chair), Councillor Apiata Tapine, Liz Ratima, Tiwana Aranui, George Reti, and Mayor Dalton
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Officer Responsible	Director Community Services
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Administration	Governance Team
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**Next Māori Consultative Committee Meeting  
Tuesday 27 March 2018**

# ORDER OF BUSINESS

**Karakia**

**Apologies**

Nil

**Conflicts of interest**

**Public forum**

**Announcements by the Chairperson**

**Announcements by the management**

**Confirmation of minutes**

A copy of the Minutes from the meeting held on Wednesday, 13 December 2017 are attached on page 119

**New Items for Māori Consultative Committee**

**Reports from Standing Committees**

**Reports from Strategy and Infrastructure Committee held 30 January 2018**

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# REPORTS FROM STANDING COMMITTEES

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## MĀORI CONSULTATIVE COMMITTEE RECOMMENDATION

That the Māori Consultative Recommendations arising from the discussion of the Committee reports be submitted to the Council meeting for consideration.

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## REPORTS FROM STRATEGY AND INFRASTRUCTURE COMMITTEE HELD 30 JANUARY 2018

### 1. LEASEHOLD LAND POLICY REVIEW

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<i>Type of Report:</i>	Legal and Operational
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<i>Legal Reference:</i>	Local Government Act 2002
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<i>Document ID:</i>	430497
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<i>Reporting Officer/s &amp; Unit:</i>	Richard Munneke, Director City Strategy Kim Anstey, Planner Policy/Analyst Bryan Faulknor, Manager Property
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#### 1.1 Purpose of Report

The purpose of this report is for Council to consider a review of the Investment Property Portfolio policy through the long term plan process.

#### COMMITTEE'S RECOMMENDATION

Councillors Brosnan / Taylor

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That Council

- a. Direct officers to consult on the proposed Investment Property Portfolio policy changes as part of the Long Term Plan process, including the following amendments:
  - To allow freeholding of specific land identified in the June 2016 Boffa Miskell report “*Napier City Investment Portfolio: Urban Landscape Strategic review*” as non-strategic, on a case by case basis and only when alternative and suitable investments can be found.
  - That recommendations on the freeholding of all identified non- strategic land

be considered by the Audit and Risk Committee in the first instance for recommendation to Council.

- That the sale of leasehold land be a delegation of Council.
- That a divestment procedure be established and approved by Council resolution prior to the release of any leasehold land, should the policy be adopted.

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Carried

## **1.2 Background Summary**

Napier City Council's Investment Property Portfolio is listed as a strategic asset in Council's Significance and Engagement Policy. The portfolio consists of 76 commercial/industrial properties distributed across the city, with the majority of properties situated in Onekawa, Ahuriri and Pandora. The current policy states that Council will retain the Investment Property Portfolio in its entirety. The policy has been reviewed several times in the past. Council's current performance measures requires a review of the Portfolio every 3 to 5 years. In 2013, Council conducted a special consultative procedure and hearing. The outcome of this was that Council considered it did not have strategic information to manage the risk of a policy change. Council have commissioned two subsequent reports on the options of divesting all or part of its leasehold land portfolio to inform its decision making (Attachments A and B).

## **1.3 Issues**

### Leasehold land and re-investment – CBRE report

There exists some negative sentiment in the community towards leasehold land. While the financial position of individual investors is not a concern of Council, a lack of appetite for leasehold land has a degree of impact on owners and investors of leasehold property. Council has had numerous requests from lessees requesting the right to freehold their site. There is additional concern that leasehold land may have a detrimental impact on business investment and redevelopment of specific sites.

In response to these issues, Council commissioned CBRE to review Council's leasehold land properties. The brief was to summarise the portfolio's characteristics and its financial performance historically, and provide comment on performance expectations moving forward. Further the report considered whether leasehold land tenure was having a detrimental impact on reinvestment in the city and whether or not a better option was to freehold some, or all of these properties. The report published in 2015 and updated in March 2016 concluded that to date, leasehold tenure does not appear to have materially distorted the local property market for industrial business. Yet looking forward and using comparisons from other locations, the report concludes that leasehold tenure has the potential to delay or inhibit redevelopment potential on specific sites, relative to freehold tenure. The level of investment in sites with leasehold tenure is generally lower than those with freehold tenure, which lowers the appeal to investors and prospective tenants.



It should be noted however, that Council is not the only holder of leasehold land in Napier.

It is intended to update the CBRE report prior to public consultation to include updated financial information.

#### Boffa Miskell Report

Council recognise the benefits of leasehold land, financial and otherwise and therefore have previously indicated the importance of retaining the leasehold properties that are strategic in nature. To complement the CBRE report, Council commissioned Boffa Miskell to develop a methodology that provides a clear and transparent basis for determining the properties strategic value in terms of their public space and urban landscape potential. This assessment determined that a number of properties had no particular public space, urban or landscape attributes or potential that would warrant Council holding on to them for this reason. The majority of these properties were located in the Onekawa Industrial area. Some of these properties are entirely surrounded by freehold properties and in some cases a building may straddle multiple land ownership structures.

Another portion of properties were assessed as having potential for creating improved community outcomes and value for the area. The report recommended to retain these properties for now, and undertake further design and planning investigations in regards to their future use. The majority of these properties were located on the waterfront in Ahuriri and Pandora.

#### Leasehold land returns

At 30 June 2017, the Investment Property Portfolio was valued at approximately \$34.8m. Currently it generates approximately \$1.7m in rental revenue.

Property is a low risk investment and provides a reasonably predictable income stream. However, there are uncertainties to consider in that there is no guarantee that historic returns will continue and the cash return relative to capital invested is low. The value of the land assets fluctuates with the Napier property market.

Importantly, the 2015 CBRE report recommended caution in divesting in any leasehold land assets in order to obtain maximum benefit to ratepayers. Council would need to ensure its investment policy was fit for purpose so that any decisions about reinvestment ensures equivalent ongoing income, and that any sale of property realises their maximum value. Under the Hawke's Bay Endowment Land Empowering Act 2002, Council is required to direct funds received from leasehold land to the improvement, protection, management, or use of the Inner Harbour and the coastal marine area.

### **1.4 Significance and Consultation**

The portfolio is listed as a strategic asset in the significance and engagement policy and therefore any decision to transfer the ownership of the portfolio (whole or part) must be provided for in the long-term plan (LGA Section 97). Consultation on the policy can take place through the long term plan process. Council has consulted on this policy previously in 2013 with a decision made to retain the 'no sell' policy. This consultation process highlighted that information gaps existed around determining which properties to sell and

that secure processes for reinvestment needed to be in place before a decision to sell was to be made. As stated above, there has been considerable refinement as to which properties to sell through the Boffa Miskell report. However, questions around reinvestment remains.

## **1.5 Implications**

### **Financial**

There are no immediate financial implications from consulting on this policy change via the long-term plan. However, if the outcome of the consultation process is that Council amend the policy to allow flexibility to sell certain non-strategic properties on a case by case basis, then the Investment policy will need to be firmed up to accommodate a long-term investment horizon. The decision to sell any property would need to be made on the basis that an alternative investment could be found with similar and/or improved returns so the financial implications for ratepayers is negligible.

### **Social & Policy**

Council is often approached by lessees requesting to freehold their site. The issues that have been raised in relation to freeholding are:

- a. Could Council receive a better return on an alternative investment that would provide a better or equivalent benefit?
- b. Are there risks associated with having all of Councils property investment portfolio located in Napier?
- c. Is the portfolio having a significant impact on re-investment in Napier?

The social and policy implications of this decision will be minimal providing that if a decision is made to freehold a property, alternative reinvestment can be found. Amending the policy would have an effect of giving Council more flexibility and control to make decisions that benefit the community as a whole.

### **Risk**

There is a small amount of risk if Council choose not to propose a change to the policy. This decision would likely disappoint those leaseholders wishing to freehold their site. Alternatively, there is a certain amount of risk in changing the existing 'no sell' policy. Council may get multiple requests from leaseholders to sell specific properties and challenges would exist in finding equivalent investment opportunities and to avoid an impact on rates. Also sale proceeds may be 'drip-fed' to Council over time making reinvestment more difficult because of a lack of scale. To mitigate these risks, the decision to sell any property would remain a delegation of Council that would be supported by a robust investigation process on any potential asset sale and reinvestment opportunities.

## **1.6 Options**

The options available to Council are as follows:

- a. That Council make no change to Councils leasehold land policy and retain all commercial/industrial leasehold land portfolio in its entirety.

- b. That Council amend the investment property portfolio to allow freeholding of all commercial/industrial properties.
- c. That the proposed Investment Property Portfolio policy changes are consulted on as part of the Long Term Plan process that includes the following amendments:
  - i. To allow freeholding of specific land identified in the Boffa Miskell report as non-strategic, on a case by case basis and only when alternative and suitable investments can be found.
  - ii. That recommendations on the freeholding of all identified non- strategic land be considered by the Audit and Risk Committee in the first instance for recommendation to Council.
  - iii. That the sale of leasehold land be a delegation of Council.
  - iv. That a divestment procedure be established and approved by Council resolution should the policy be adopted.

## **1.7 Development of Preferred Option**

The current policy provides no flexibility for freeholding specific, non-strategic assets that if sold, could assist in the redevelopment of industrial and/or commercial land in Napier and stimulate private investment. Introducing some flexibility in the policy will allow Council to consider each leasehold property on its merits so that any decisions relating to such land is made with the best intentions for the future of Napier. Freeholding specific properties will enable diversification of the Councils investment portfolio which will reduce market exposure risks. Amending the policy to allow freeholding of all properties, regardless of their strategic nature, is not recommended on the basis that this would create undue risk for Council and ratepayers. Using the Boffa Miskell report as guidance to determine the strategic nature of each property and performing an investigation into sale and reinvestment opportunities on a case by case basis, gives Council the ability to adapt to current market conditions to ensure maximum benefit to ratepayers. It is envisioned that a detailed procedure for divestment of specific properties would be developed and approved by Council should the preferred option be adopted.

### **At the Meeting**

In response to questions from Councillors it was clarified that:

- The Hawke's Bay Land Empowering Act applies to revenue generated rather than capital gained from a sale; more clarification on this will be provided as and when any sales are proposed.
- The Act allows Council to sell leasehold land at its discretion; regardless of where the land is located. The income from the sale would be ring-fenced for reinvestment in another revenue producing asset. All the proceeds are targeted for use in the marine/ harbour area.
- Funding the inner harbour is important for Council to protect on behalf of rate payers. Each potential sale would be approached on a case by case basis and assessed by the Audit and Risk Committee to ensure that the lease is being

replaced by an appropriate other income opportunity.

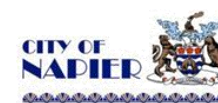
- Previous consultation on the topic had indicated strong support from current lessees. There were very few submissions raising concerns, and most of these noted that ensuring that investments were protected on behalf of ratepayers was the key focus. Council agrees that this is extremely important and any proposed sale would only progress should an equally or more lucrative replacement investment have been found.

## **1.8 Attachments**

- A Boffa Miskell Report - June 2016
- B CBRE Report - March 2016



**NAPIER CITY INVESTMENT PORTFOLIO:**  
URBAN LANDSCAPE STRATEGIC REVIEW **[DRAFT]**  
JUNE 2016





## Document Quality Assurance

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## SECTION 1: INTRODUCTION





## Introduction

Napier City Council (NCC) currently owns a portfolio of 76 leasehold properties. In March 2016 The Council commissioned CBRE to prepare a review of these properties to consider whether leasehold tenure of these properties was having an impact on reinvestment in Napier and whether freeholding of all or some of these properties was a better option. The report also considers how the freeholding process could be undertaken and should the Council elect to freehold what work would be needed to progress this.

To complement the CBRE assessment, NCC commissioned Boffa Miskell to undertake a review of the same 76 leasehold properties to consider their strategic value in terms of their urban landscape development potential. By considering the analysis and recommendations in both reports it will provide the Council with a range of strategic information to make decisions on how it could proceed.

**As noted in the CBRE report<sup>1</sup> the investment portfolio consists of:**

- Properties transferred from the Hawke's Bay Harbour Board as part of the 1989 Local Government reorganisation;
- Properties owned by Council as a result of land development in conjunction with the Harbour Board;
- Other sundry properties which have been owned by Council for many years; and
- Endowment properties (there are nine properties in this category and these are subject to the Napier Borough Endowment Act 1876).

For the purposes of this *Urban Landscape Strategic Review* report, there has been no distinction made to these different types of properties; they are referred to collectively as Napier City leasehold properties. Figure 1 illustrates the location of each of the sites.

**The sites are situated in three main groups with a few 'outliers':**

- Ahuriri (Pandora / West Quay area)
- Thames Street
- Onekawa

In urban landscape development terms very few of the Onekawa sites that have urban landscape development potential but regardless all sites were visited and an assessment completed and recommendations made.

Given the relatively wide geographic distribution of the sites each site or group of sites has been numbered as shown on Figure 1. The sites are located in several different planning zones and sub-zones as shown on Figure 2.

The attributes of each site or groups of sites are described in Section 2, together with photographs illustrating salient features. Appendix 1 illustrates each of the sites in their wider context.

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<sup>1</sup>Investment Property Portfolio Review (Draft), prepared for Napier City Council by CBRE, Structured Transactions and Advisory Services, March 2016.

## ■ Site Assessment Criteria

Prior to visiting all of the sites, five assessment criteria were developed and each site was rated against each of the following criteria.



### ADJACENCY TO PUBLIC AMENITY

Is the site adjacent to current or potential future public amenity e.g. coast/walkway. If it is adjacent, additional value may be able to be returned from the site by an investment in that amenity, or by undertaking re-development of the site to leverage value from a new form of activity or building.



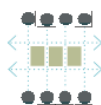
### POTENTIAL FOR COLLECTIVE REDEVELOPMENT

Is the site isolated, or is it within a collection of council sites that are large enough to enable a potential redevelopment if developed as a package? Larger sites generate opportunities for a collection of buildings and public space together whereas splitting sites reduces potential.



### LOCATED IN A TRANSFORMATIONAL AREA

Is it in an area where change is already occurring and where Council might want to consider using the land to help the area to change?



### POTENTIAL TO IMPROVE CONNECTIVITY/ + AMENITY

Can the site be used to improve connections between streets or as part of an open space network, or can it be re-purposed to make a new amenity?



### CONNECTIONS TO INFRASTRUCTURE

Is the site able to be utilised for new infrastructure such as sustainable urban stormwater device or for new streets etc.?

A traffic light rating is used to record the performance of each site relative to criteria:



Fails to meet criteria



Somewhat meets criteria



Meets criteria

## Approach and Recommendations

Using the 'Map of NCC investment properties' in Appendix III of the CBRE draft report, March 2016, each of the leasehold sites was geo-referenced and transposed on the latest aerial photographs available from LINZ (2010-2011). In addition to identifying each of the leasehold sites on the aerial base maps, any Council-owned sites adjoining the leasehold properties were also delineated. In several locations Council-owned land enveloped a leasehold site or a group of leasehold sites.

Where this occurs, the strategic 'value' of each of the leasehold sites may be increased and could provide Council with a wider range of options and development opportunities.

We have considered the potential for each of the subject sites and identified 3 typical approaches as described below:

### Approach A:

Retain the land undertake further design and planning investigations to look at securing better community outcomes and value from the area. This could include a specific project design, public space design, upzoning the land to enable better utilisation/development potential and combinations of these. An outcome following further investigations maybe to dispose of the land but the key direction in this approach is to retain the land for now and do the further design and planning investigations.

### Approach B:

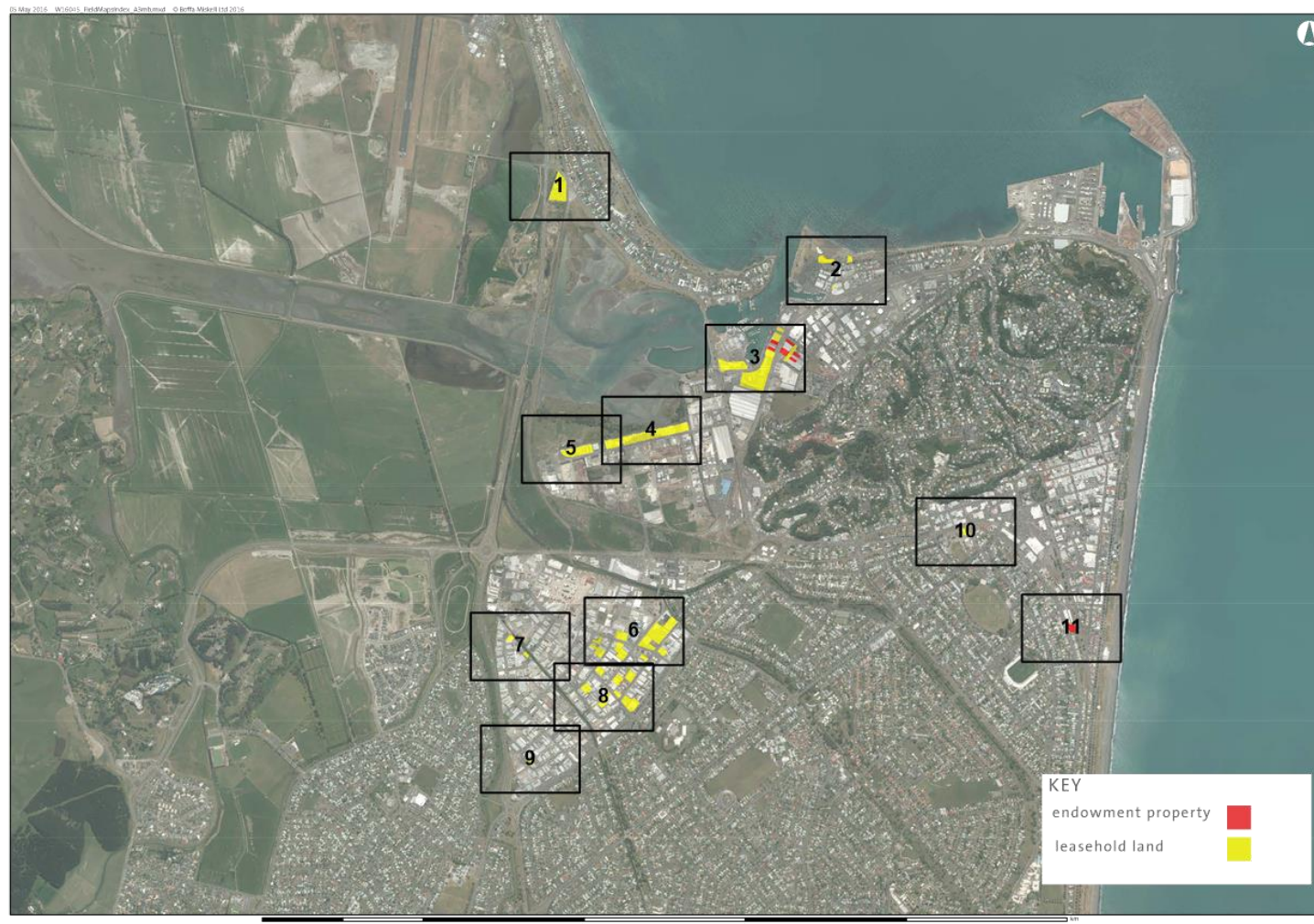
Dispose of the land, but first look to establish some specific public benefit outcomes such as a connection easement, design controls through the District Plan or the like.

### Approach C:

Dispose of the land as it has no particular urban or landscape design attributes or potential that would warrant keeping it.



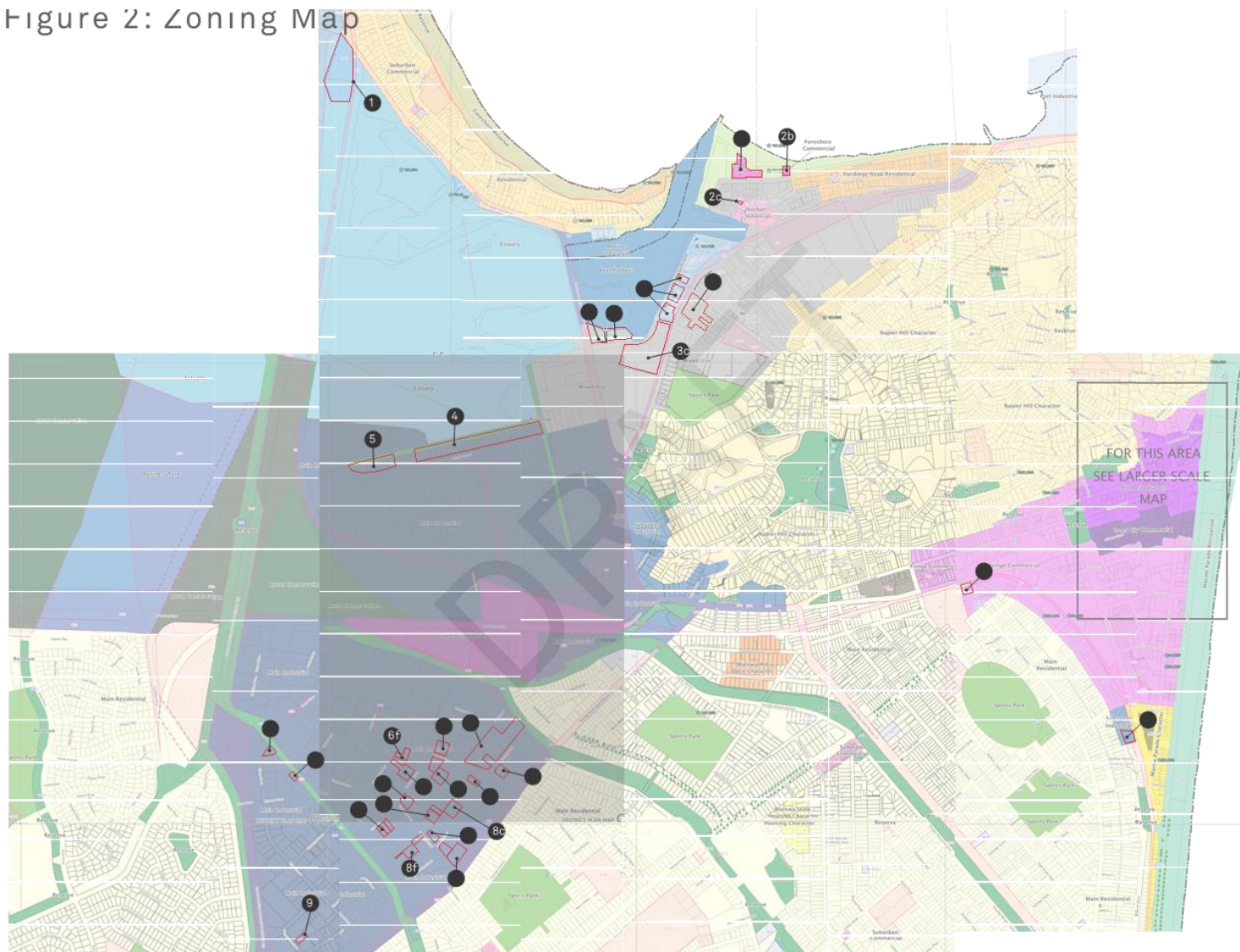
Figure 1: Napier City Leasehold Properties





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Figure 2: Zoning Map







## DISTRICT PLAN LEGEND

Plan Zones Legend				
Residential Environments	Commercial Environments	Industrial Environments	Rural Environments	OpenSpace Environments
Main Residential Napier Hill Character Northern Residential Hardinge Road Residential Marewa Art Deco Character Marewa State Housing Character Te Awa Bungalow Character Marine Parade Character Western Hills Residential	Inner City Commercial Art Deco Quarter Fringe Commercial Suburban Commercial Large Format Retail Foreshore Commercial	Main Industrial Suburban Industrial West Quay Waterfront Marine Industrial Port Industrial Business Park Wastewater Treatment	Main Rural Rural Residential Rural Commercial Rural Conservation Rural Settlement Lifestyle Character Jervois town	Boat harbour Estuary Foreshore Reserve Marine Parade Recreation Reserve River Conservation Sports Park
Features Legend				
Archaeological Sites Heritage Item Notable Tree National Grid Structure National Grid Line Building Line Restriction River Hazard	Airport Noise Boundary Expressway Noise Boundary Inner Port Noise Boundary Outer Port Noise Boundary Willowbank Noise Boundary Industrial Noise Boundary	Areas of Significance to Maori Advocacy Areas of Specified Character City Boundary Coastal Hazard Zone Designation Scheduled Sites	<b>Other Environments</b> Airport Deferred Airport Mixed Use Tertiary Education	





## SECTION 2: SITES



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## 1. WESTSHORE HOLIDAY PARK

LOCATION PLAN



SITE PLAN



SITE PHOTO



ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 1					

SITE DESCRIPTION AND ATTRIBUTES

- Located at a busy road junction between Meenae Quay (SH 2) and the Hawkes Bay Expressway (SH 2b)
- Council-owned block of land on southern and western boundaries, rail line forms the eastern boundary and SH 2 the northern boundary
- A 1.31 ha. block land is separated from SH 2 by unusual wedge-shaped piece Council-owned land
- Zoned: Estuary (Scheduled Site)
- Proximity of rail line makes for difficult access point to Holiday Park for motorists travelling north on SH 2
- Commercial properties and residential development located opposite on eastern side of SH 2 (Meenae Quay).
- Visually important 'gateway' amenity location, particularly for travellers' heading south, including those entering the city from Hawkes Bay Airport
- Holiday Park comprises series of small scale buildings and other structures of various ages and conditions
- Tall mixed tree planting along western boundary and various amenity trees within the actual site

ANALYSIS

- Given the location of this site at the cross roads of the District's highway network at the northern entrance to the city it is prominent and so has strategic visual amenity value. It adjoins other Council owned land and thus there maybe opportunities to consider the area at a wider scale for its collective redevelopment potential. However, it is currently away from the high amenity transformational areas of the quay. Infrastructural opportunities in the form of roading development or to add to the wider low impact stormwater development with its adjacency to the water areas may be of interest but is not clear at this time as to potential value.
- Originally the Holiday Park was located on the edge of the city but residential development along Westshore, together with the development of the Expressway and other roading upgrades has changed its context. The Holiday Park is now 'wedged' between key infrastructure developments.

### RECOMMENDATIONS

It is recommended that Council adopts Approach B for this site.

The aim is to ensure that when disposed of that the visual prominence of the site is managed in development controls. This may be achieved through a District Plan measure, or through some form of conditions on the title. Questions can also be asked of roading asset managers regarding needs for future infrastructure development.



## 2a + 2b, Nelson Quay + 2c, Bridge Street

LOCATION PLAN



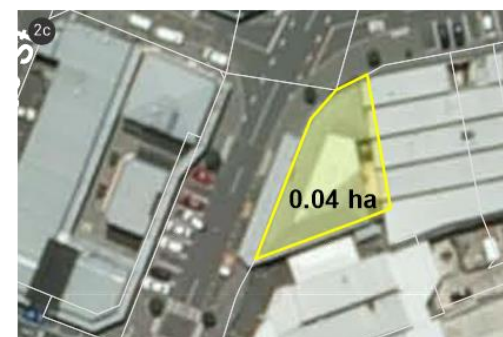
ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 2a					
Site 2a					
Site 2c					

SITE DESCRIPTION AND ATTRIBUTES

- Sites 2a and 2b are located adjacent to a high amenity area and other Council-owned sites along the coastal edge adjacent to the Council's Perfume Point Reserve.
- Perfume Point Reserve is an area of open space comprising mown grass and a pedestrian walkway adjoining a sandy beach. The whole area lacks any spatial definition and planting is limited to an occasional tall tree, several of which have been 'topped' to avoid blocking views from the adjoining motel and commercial buildings
- Given the coastal frontage, north-facing orientation and sea views, multi-unit residential housing has been developed on much of the surrounding area.
- The area is well used by people moving along the coastal edge and where buildings allow, using the facilities and businesses (cafes) to enjoy the location. The connectivity and accessibility to the coastal edge appears (by the use levels) to be important to the community.
- Site 2a (3200m<sup>2</sup>) is occupied by a two story motel development. Site 2a is separated from Site 2b by a carpark. Site 2b accommodates commercial building development.

SITE PLANS



SITE PHOTOS



- Both sites 2a and 2b are north-facing with unobstructed sea views.
- For both 2a and 2b as well as the intervening and contiguous car parking area and Council-owned Perfume Point Reserve there is good collective development potential
- Site 2c is a 400m<sup>2</sup> site, which is part of a small scale and busy commercial development along Bridge Street. It is occupied by a single story commercial building that occupies the whole site.
- Sites 2a and 2b are zoned 'Foreshore Commercial'
- Site 2c is zoned 'Suburban Commercial'

RECOMMENDATION

It is recommended Council adopt **Approach A for Sites 2a and 2b**. Both sites together with their contiguous areas of Council land present an excellent opportunity to leverage improved public amenity as well as private development returns. This will require a comprehensive development plan to be prepared that addresses development opportunities, public accessibility and connectivity to and along the coast, addressing the use and form of the reserve, parking areas, maintenance, future building heights and so on.

It is recommended that Council adopt **Approach C for city 2c**. The site is developed on its site and does not represent any significant opportunity for additional benefits to the community by retention in Council ownership.

## 03.03. West Quay

### LOCATION PLAN



### ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 3a					
Site 3b					
Site 3c					

### SITE DESCRIPTION AND ATTRIBUTES

- Council land holdings are extensive in West Quay. In the past 20 years West Quay has been the focus of significant urban revitalisation with the development of apartments, commercial offices and restaurants, cafes and bars. It is an area in transformation.
- West Quay is a popular area and numerous commercial offices and businesses have re-located to this area, which continues to expand from the waterfront to adjoining streets inland.
- West Quay accommodates both a marina and associated land-based facilities and is also where commercial fishing boats operate from
- Over half of the groups of sites have been developed for apartments, commercial offices and for restaurants and bars. It is an area with adjacency to amenity in this regard which includes the coastal edge, heritage values of older buildings, and the functions that have located there which provide a social benefit.
- Sites 3a and 3b on the northern side of West Quay are in a prominent location adjoining SH2 and also the marina. The marina hardstand area is also Council owned. This area is at a visually prominent position at the 'gateway' people travelling either north or south on SH2. The grouping of sites and Council ownership of this area presents a collective redevelopment potential.

### SITE PLANS





#### SITE PHOTOS



- Site 3c, comprising two large allotments (1.6 ha. and 0.64 ha. respectively) is fully developed with a hotel and an apartment complex. There is little opportunity for collective redevelopment, although the potential to link through this block may be a consideration.
- Sites 3a, 3b and 3c are zoned 'Mixed Use'.

#### RECOMMENDATIONS

It is recommended Council adopt **Approach A** for Sites 3a and 3b. Sites 3a and b total nearly 1.0 ha. and both are strategically important being visually prominent and have a function with the contiguous sites that relates to the amenity of the marina. Both sites together with their contiguous areas of Council land present an excellent opportunity to leverage improved public amenity as well as private development returns. This will require a comprehensive development plan to be prepared that addresses development opportunities, public accessibility and connectivity to and along the edge and to marina, addressing the prominent corner, addressing existing land uses, parking areas, future building heights and so on.

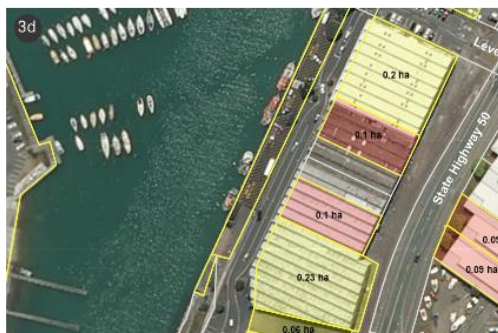
It is recommended Council adopt **Approach B** for Site 3c. The site has been developed and presents no likely opportunities for leverage improved urban or landscape design and public amenity related benefits. The only opportunity that could be explored in the process of disposal is to seek a public connection between West Quay and SH50 through the block to aid connectivity to the coast. This could be in the form of an easement.

## 2.00. West Quay 1.00. Lever Street

### LOCATION PLAN



### SITE PLANS



### ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 3d					
Site 3e					

### SITE DESCRIPTION AND ATTRIBUTES

- Many of the former warehouse and port buildings that occupy the Site 3d properties have been developed and have been converted to offices, apartments and restaurants and bars.
- Site 3e, which comprises a group of 6 properties, west of SH 50 is in a complex with other warehouse type buildings located on both sides of a wide access road linking Lever Street and Riddell Street.
- Sites 3d and 3e are in the 'West Quay Waterfront' zone.

### RECOMMENDATIONS

It is recommended Council adopt **Approach C** for sites in 3d. The sites have large existing warehouse buildings which are listed. There is little additional public amenity that can be leverage through Council maintaining ownership and provided the buildings with heritage value are maintained and re-purposed sensitively to these values the approach should be to dispose of these and allow private investment to continue the transportation process.

It is recommended Council adopt **Approach B** for sites 3e. The six Site 3e properties are not grouped together but instead are separated by privately-owned properties, which would make development of this whole block much more challenging. However, the Council has the added advantage in that it also owns the property that all of the existing buildings front onto and thereby could significantly influence how the overall block could be developed. The warehouse-type buildings in this block are similar to those along West Quay that have been converted to offices, apartments and restaurants/cafes and to retain the overall character of this area these buildings could be similarly converted. Some further investigation into the potential for assisting the transition of this area to a higher amenity should be undertaken, but with a view to determining either potential benefits for the community or disposal.

SITE PHOTOS



DRAFT



## 4. THAMES STREET + DO THAMES STREET

LOCATION PLAN



SITE PLAN



ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 4					
Site 5					

### SITE DESCRIPTION AND ATTRIBUTES

- 24 sites in three groups located on the northern side of Thames Street
- Area is zoned 'Main Industrial' The properties are a mix of small around 1000m<sup>2</sup> sites and a few sites 2-3 times larger. They are rectangular in shape with a typical dimension of 15-20m width and 50m depth **CHECK** and extend from Thames Street back to the edge of the estuary All of the sites have larger manufacturing/warehouse scale buildings on them with some having outdoor hard stands
- Residential accommodation appears to have been developed in a few buildings particularly on the 'back' north side facing the estuary
- The north-facing aspect is through trees over the adjoining DoC reserve and the estuary
- The Thames Street drain separates the properties from the DoC reserve
- The reserve has been extensively planted and comprises a mix of native and exotic trees and shrubs, dominated by a range of eucalypt species
- Popular walking track runs through the reserve and connects between the West Quay area and the estuary tracks through to and under the expressway.
- On the south side of Thames Street most of the properties are substantially larger and are occupied by various industrial-type businesses
- Two streets (Mersey and Severn) run at right angles and connect to Thames Street. Severn Street links through to Prebensen Drive Road whereas Mersey Street is a dead end.

### RECOMMENDATIONS

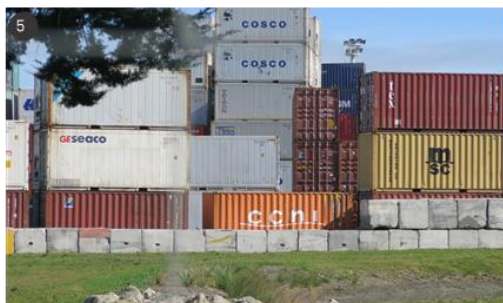
It is recommended Council adopt **Approach A** for Sites 4 and 5. They represent a large area, and although the current land uses have a low level of public amenity the adjacency to amenity is high. Sunny and north-facing, with prime views over the estuary and the hills beyond and the potential to create linkages to the DoC reserve and walking track, these properties could be developed as a mix of multi-unit housing set within a framework of open space.

The scale of the area of available land and Councils ownership presents an excellent opportunity to leverage improved public amenity as well as private development returns. This will require a comprehensive development plan to be prepared that addresses development opportunities, public accessibility and connectivity to and along the estuary edge, addressing existing land uses, parking future building heights and so on. It will conceivably take some time to realise the potential of this area given its relationship to the Pandora area currently. However, the public benefits could be significant as could returns to Council from redevelopment potential.

SITE PLANS



SITE PHOTOS



## 6a-6f. Austin Street and 6g. Cadbury Road

### LOCATION PLAN



### ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 6a					
Site 6b					
Site 6c					
Site 6d					
Site 6e					
Site 6f					
Site 6g					

### SITE DESCRIPTION AND ATTRIBUTES

- Seven separate sites or groups of sites in Onekawa industrial area located north and south of Austin Street.
- 22 separate allotments covering a total area of 3.69 ha.
- Sites 6a-6g are zoned 'Main Industrial'
- All sites face directly on to a road frontage
- Three of the 22 allotments are corner sites.
- Largest group of sites (6A located between For Road and Dunlop Road) cover 1.98 ha. in seven separate titles and is the only area where there is any urban landscape development potential on part of this group of sites.
- Northern-most allotment in 6a has the Plantation Drain on its northern boundary, which provides separation between industrial area and residential properties on Veronica Avenue.
- Paved cycleway/ walkway has recently been developed along northern side of drain and a pedestrian bridge is under construction which will provide a link between the cycleway/walkway and Ford Road.

### RECOMMENDATIONS

It is recommended Council adopt **Approach C** for sites 6b to 6g. The nature of the area there is limited urban landscape potential with these sites and groups of sites. The sites can be disposed of.

It is recommended Council adopt **Approach A** for site 6a.

The construction of the pedestrian bridge and the connection that it will provide does open up a future development opportunity in terms of the 2800m<sup>2</sup> Council leasehold site immediately adjacent. The site or part of it could be developed as a combination of open space and a commercial operation, such as a café servicing the adjoining industrial area and also the residential area north of the drain.

The aim would be to retain the site for now to investigate the potential. Collecting and filtering stormwater runoff from the surrounding streets and hardstands and directing this to a new pocket park to be cleaned using natural filtering devices (swales, trees and grasses) could present an opportunity to improve water quality in the drains and also provide a public space amenity and associated cafe type business for workers in the area to use. There is a wider opportunity to reconfigure many of the drains that traverse low-lying areas in Napier into open space corridors providing ecological and cycle and pedestrian linkages. This has been done elsewhere in the City (Harekeke and Taipo Streams) and given the construction of the paved cycleway/ walkway and bridge this drain could be further transformed with native tree and shrub plantings along the embankments.



SITE PLANS



SITE PHOTO



## 7a. Niven Street + 7b. Husheer Place

### SITE PLANS



### SITE PHOTOS



### ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 7a					
Site 7b					

### SITE DESCRIPTION AND ATTRIBUTES

- Two small sites (7a=700m<sup>2</sup> and 7b=1200m<sup>2</sup> respectively) located in Onekawa industrial area.
- Both sites are located in Main Industrial Zone
- The sites are separated from each by a large lot other but both located on the southern side of an adjoining County Drain.
- Site 7a is situated at the end of Niven Street, which terminates where it meets the drain. Site 7b is situated at the end of Husheer Place, a small cul-de-sac off Niven Street and opposite Lipton Place, which is a cul-de-sac on the northern side of County Drain.
- Both sites contain buildings

### RECOMMENDATIONS

It is recommended Council adopt **Approach C** for sites 7a and 7b. The sites in themselves do not present an opportunity for improved public benefits by their retention and could be disposed of.

However, it is noted that many of Napier's network of drains (of the like contiguous to the subject sites) provide the city with opportunities to be developed as open space and ecological corridors as has already been done in a few locations (Harakeke Stream and Taipo Stream). While both of these examples are located in residential and recreational areas, some of the drains in the industrial parts of the city should not be overlooked to be enhanced by tree and shrub planting, pedestrian and cycle routes for recreation or commuting and to improve water quality.





LOCATION PLAN





## 0a TOPTOTOE, Carnegie Road + 0c. Dunlop Road + 0g. Caubury Road

### LOCATION PLAN



### ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 8a					
Site 8b					
Site 8c					
Site 8d					
Site 8e					
Site 8f					
Site 8g					

### SITE DESCRIPTION AND ATTRIBUTES

- A group of 13 allotments in seven separate groups
- Sites 8a-8g are located in Main Industrial Zone.
- Mostly small sites (between 1000 and 2000m<sup>2</sup>) located north and south of Carnegie Road in the Onekawa industrial area.
- All but one site (8F) have a direct road frontage.
- Four of the 13 allotments are corner sites
- None of the allotments are located adjacent to drains, waterways or areas of open space.

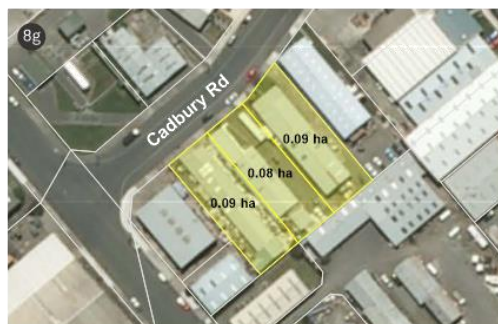
### RECOMMENDATIONS

- It is recommended Council adopt **Approach C** for sites 8a to 8g. The sites do not present an opportunity for improved public benefits by their retention and could be disposed of.

### SITE PLANS



SITE PLANS



SITE PHOTOS





## 9. Edmundson Street

LOCATION PLAN



SITE PLANS



SITE PHOTO



ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 9					

SITE DESCRIPTION AND ATTRIBUTES

- A single 1000m<sup>2</sup> site in the Onekawa industrial area
- Located in Main Industrial zone
- No adjoining Council-owned sites

RECOMMENDATION

It is recommended Council adopt **Approach C** for site 9. The site does not present an opportunity for improved public benefits by its retention and could be disposed of.

## 10. Thackeray Street

LOCATION PLAN



SITE PLANS



SITE PHOTO



	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 9					

### SITE DESCRIPTION AND ATTRIBUTES

- Prominent 1700m<sup>2</sup> corner site separated from Thackeray Street by the rail line.
- Napier Intermediate School located on western site boundary and Faulknor Street forms the southern boundary.
- Group of heritage buildings situated immediately south of Faulknor Street
- No adjoining Council-owned sites.

### RECOMMENDATION

- It is recommended Council adopt **Approach C** for Site 10. The site does not present an opportunity for improved public benefits by its retention and could be disposed of.



## 11. Wellesley Road

LOCATION PLAN



SITE PHOTO



SITE PHOTO



ASSESSMENT AGAINST CRITERIA

	Adjacency to Amenity	Collective Redevelopment	Transformational Area	Connectivity + Amenity	Infrastructure Opportunities
Site 11					

SITE DESCRIPTION AND ATTRIBUTES

- A 2100m<sup>2</sup> commercial site located on the eastern side of Wellesley Road in what is mostly a residential neighbourhood
- Located in Suburban Industrial zone
- Wellesley Road forms the western boundary and the rail line the eastern boundary
- Commercial properties are located to the north and residential properties on the southern boundary and residential areas extend along the western side of Wellesley Road and adjoining areas.

RECOMMENDATION

It is recommended Council adopt **Approach C** for Site 10. The site does not present an opportunity for improved public benefits by its retention and could be disposed of.

## Summary of Recommendations

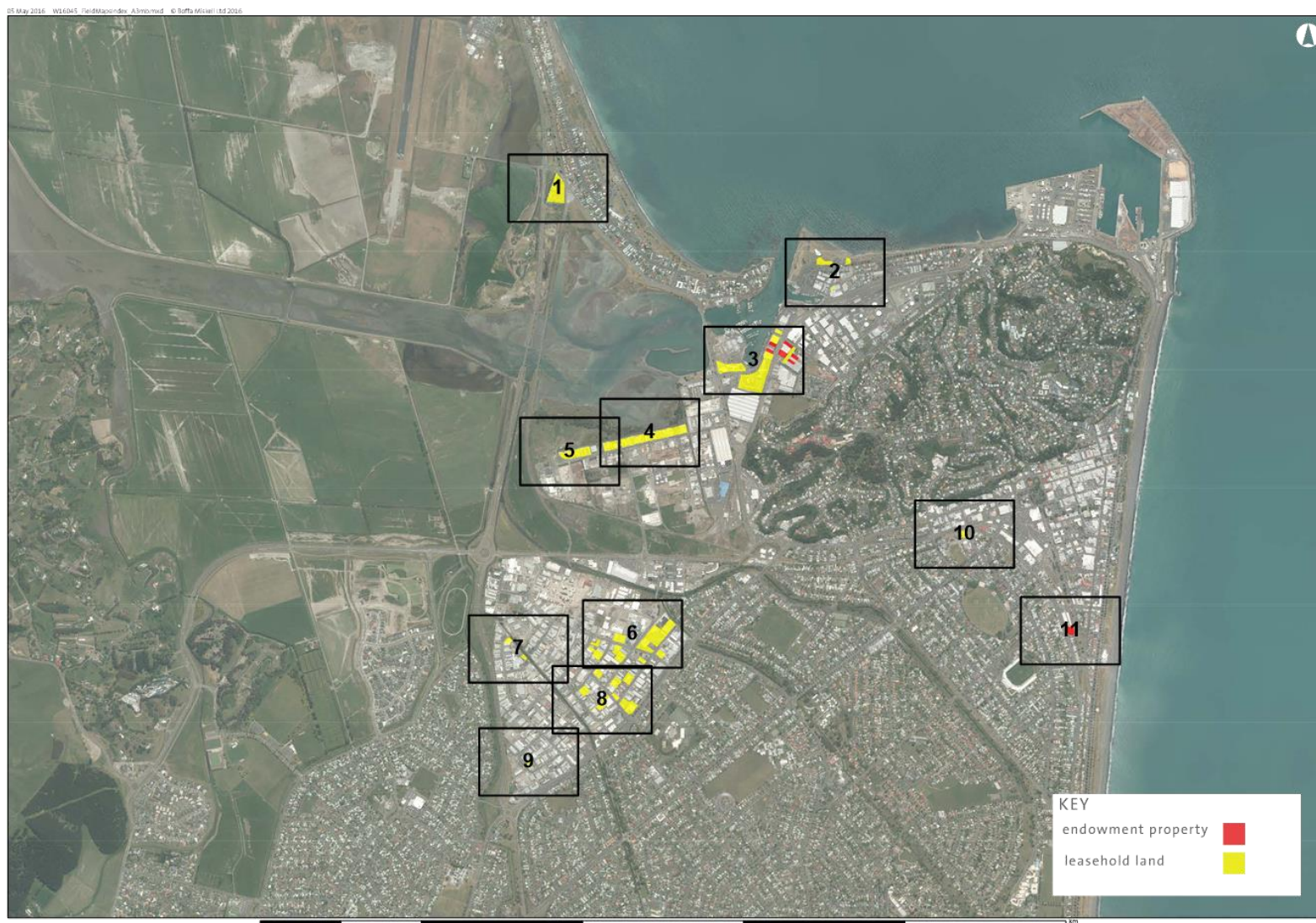
## LOCATION PLAN

## ASSESSMENT AGAINST CRITERIA

Site No.	Site Location	Approach	Recommendation
Site 1	Westshore Holiday Park	B	Look to establish specific public benefit through a connection easement or district plan controls before potentially disposing of site
Site 2a	Nelson Quay	A	Retain and undertake specific project design, public space design or upzoning of land
Site 2b	Nelson Quay	A	Retain and undertake specific project design, public space design or upzoning of land
Site 2c	Bridge Street	C	Site could be disposed of
Site 3a	West Quay	A	Comprehensive Development Plan required for this site and adjoining Council-owned land
Site 3b	West Quay	A	Comprehensive Development Plan required for this site and adjoining Council-owned land
Site 3c	West Quay	B	Explore potential for connection between West Quay and SH50 through block to aid connectivity to coast. This could be in the form of an easement.
Site 3d	West Quay	C	Site could be disposed of
Site 3e	Lever Street	B	Further investigation into the potential for assisting the transition of this area to a higher amenity should be undertaken, with a view to determining either potential benefits for the community or disposal
Site 4	Thames Street	A	Potential to develop as a mix of multi-unit housing set within a framework of open space
Site 5	Thames Street	A	Potential to develop as a mix of multi-unit housing set within a framework of open space
Site 6a	Austin Street	A	Potential to develop part or all of the site could be developed as a combination of open space and a commercial operation.
Site 6b	Austin Street	C	Site could be disposed of
Site 6c	Austin Street	C	Site could be disposed of
Site 6d	Austin Street	C	Site could be disposed of
Site 6e	Austin Street	C	Site could be disposed of
Site 6f	Austin Street	C	Site could be disposed of
Site 6g	Cadbury Road	C	Site could be disposed of
Site 7a	Niven Street	C	Site could be disposed of
Site 7b	Husheer Place	C	Site could be disposed of
Site 8a	Carnegie Road	C	Site could be disposed of
Site 8b	Carnegie Road	C	Site could be disposed of
Site 8c	Dunlop Road	C	Site could be disposed of
Site 8d	Carnegie Road	C	Site could be disposed of
Site 8e	Carnegie Road	C	Site could be disposed of
Site 8f	Carnegie Road	C	Site could be disposed of
Site 8g	Cadbury Road	C	Site could be disposed of



## APPENDICES















3 of 11



































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## **Investment Property Portfolio Review** **Prepared for Napier City Council**

March 2016

**[Draft]**

# **CBRE**

Structured Transactions and Advisory Services

Report prepared by:

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## 1. Executive summary

### 1.1. Portfolio overview and context

NCC currently owns a portfolio of 76 lessor's interests in Napier with a combined value of approximately \$32.3m, generating a current passing rental of \$1.63 per annum i.e. yielding circa 5.0% pa<sup>1</sup>. This income or cash return (before management costs) compares with NCC's treasury investments which yielded 4.58% over the 2014/15 financial year. In addition to an income or cash return, the portfolio has historically provided strong capital growth but more recently (over the last 5 – 10 years) this has been relatively subdued, resulting in a cumulative average total return over the last ten year period of 1.6% pa.

At present, the rental derived from the portfolio is used to offset the cost associated with maintenance and upkeep of the inner harbour and foreshore reserves and overall represents approximately 1.8% of NCC's total funding (or revenue) sources.

A number of lessees in the portfolio have requested that NCC review its ownership of the investment property portfolio and specifically requested the right to freehold their site, which would essentially involve lessees purchasing Council's interest in the land. In order to evaluate whether freeholding sites may be appropriate, NCC has requested that CBRE prepare a report that:

1. Summarises the portfolio's characteristics and its performance historically, and provides comment on performance expectations moving forward.
2. Considers whether leasehold tenure may be having an impact on reinvestment in Napier.

3. Considers the pros and cons of freeholding and how this process could be undertaken.
4. Briefly considers what Council could do with the proceeds, should it elect to freehold, and the work required in this respect.

### 1.2. Summary of findings

1. The portfolio provides a modest but low risk, stable cash flow that would be difficult to replicate. However, looking forward, there does appear to be greater risk of lessee default and capital growth is likely to be more subdued than has been observed historically, at least in the short term, in our view.
2. It is difficult to determine whether leasehold tenure has, to date, had an impact on re-investment decisions; analysis of improvements value to capital value and the age profile of assets across freehold and leasehold sites in Onekawa doesn't provide any definitive conclusions. However, discussions with lessees would suggest that it has/does make investment more challenging. We are certainly of the view that, at the individual site level, leasehold tenure makes development and reinvestment more difficult and illustrative feasibility analysis presented in this report highlights these challenges.
3. However, it is difficult to argue that the NCC leasehold portfolio is having a more prevalent impact investment in Napier across the board. While the scope of our work does not extend to evaluating the primary drivers of Napier's economy or investment into it, we expect that land tenure, and its impact on investment decisions, is some distance down that list of factors. Put another way, leasehold tenure is likely to be a material issue for individual lessees and their investment decisions but there is

<sup>1</sup> Before annualised management/operating costs of \$95,000 per annum.



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nothing that we observe which would suggest it is having a material impact at the city level.

4. It is evident from our discussions with both NCC and lessees that some animosity exists and this would ultimately appear to be unhealthy for the relationship between Council and business in Napier. Freeholding presents a viable option which, if managed correctly, provides NCC with an opportunity to achieve fair value for its investment, which is important to ensure fairness to all NCC ratepayers, while at the same time providing lessees with an opportunity to enhance their investment and improve their ability to make reinvestment decisions looking forward.
5. If Council does elect to freehold it has two options in our view. The first would be to make a freeholding offer to lessees and leave this option open for a fixed period (say 6-12 months). The second would be to incorporate a freeholding provision into the lease, making this a permanent possibility for lessees. Both options have pros and cons which we outline in the body of this report.
6. Undertaking a freeholding process does raise the question of how NCC would and could reinvest the proceeds, noting that it would need to continue to derive a similar level of income (circa \$1.6m pa); to do otherwise may have implications on rating levels. However, the decision to freehold the portfolio should be treated somewhat separately from the decision to re-invest in our opinion. Ultimately, alternative investments are likely to be available.

The most significant concern we would have relates to the rate at which freeholding occurs and the implications this may have for re-investment. Where take-up is relatively slow, Council will be 'drip fed' capital and this makes re-investment more difficult and (likely) more costly. Where Council does intend to freehold the

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portfolio, it will need to revisit and consider its current investment policy to determine how this may accommodate reinvestment and whether it needs to be changed. We would recommend Council seeks investment advice in this regard.

## 2. Brief overview of the investment property portfolio

### 2.1. Introduction

The investment property portfolio is a portfolio of 76 properties owned by Council within Napier, largely in Onekawa, Ahuriri and Pandora, known as the 'investment property portfolio'. Council owns the lessors interest in these properties and a number of individuals and businesses own the lessees interests.

The leases granted by Council are perpetually renewable meaning that, subject to continuing to pay rental, which is reviewed at periodic intervals, the lessee's have a perpetual right to occupy the land. The improvements on the land are owned by the lessees, not Council.

The investment property portfolio includes some high density residential property as a result of changing land use over time and new apartment development occurring on former commercial/ industrial land.

For the sake of clarity, Council owns an additional circa 30 residential lessees interests, all of which are subject to the Hawke's Bay Endowment Land Empowering Act 2002 which allows the lessees to purchase the freehold from Council. These leases do not form part of the investment property portfolio and are excluded from this review.

### 2.2. Background to ownership

The investment property portfolio consists of:

- Properties transferred to Council from the Hawke's Bay Harbour Board as part of the local Government reorganisation in 1989. The reason for the transfer was to provide an income generating asset to offset the liability associated with the upkeep of the Inner Harbour and Foreshore Reserves, which was transferred at the same time.

- Properties already owned by Council as a result of land development in conjunction with the Harbour Board.
- Other sundry properties which have been owned by Council for many years.
- Endowment Properties – these nine properties (identified in Appendix III) are subject to the Napier Borough Endowment Act 1876. Council is currently seeking legal advice as to whether these properties could be sold and, if so, the process that would need to be followed.

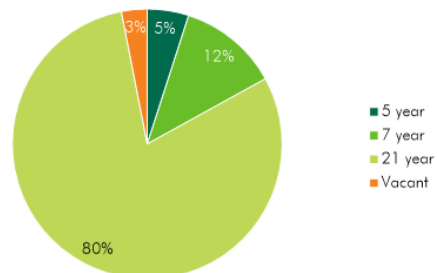
### 2.3. Key descriptive statistics

- 76 sites in Napier, as shown on the map attached as Appendix III.
- Valued at approximately \$32.3m plus GST as at 30 June 2015.
- Two properties are currently vacant – 13 Husheer Place, Onekawa and 40-52 Thames Street, Pandora (five titles held under one lease). Market rental for these properties as at 30 June 2015 is \$82,300 plus GST per annum.
- Generates approximately \$1.6 million dollars of rental income per annum as at 30 June 2015. After management and operating expenses of circa \$0.1m per annum, the net income equates to approximately 1.8% of Council's total operating funding requirement for the 2016 financial year (estimated at \$86.3m) and is equivalent to approximately 4.3% of the general rates funding available to Council.

The chart below stratifies the portfolio by rent review frequency and identifies that the majority of the portfolio experiences rental reviews every 21 years.



Portfolio value by review frequency – as at 30 June 2015



### 2.3.1. Vacancies

The following properties are currently vacant (i.e. not leased):

- **13 Husheer Place, Onekawa:** The property has been abandoned by the lessee and the lease has been cancelled from the title; improvements have reverted to Council ownership (i.e. no lessee's interest presently exists).
- **40-52 Thames Street, Pandora:** The lessee has elected not to renew the lease and, per the terms of the lease, the improvements will be auctioned. If the property does not sell at auction, Council enters another renewal valuation process with the lessee and, if not successful, a second auction will take place. If not sold at the second auction, the improvements revert to Council.

### 2.4. Historic performance of the portfolio

The following table illustrates the return that the portfolio has historically delivered to Council (before management costs). Appendix 1 provides detail on how the total and income returns have

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been calculated, noting that total return includes changes in capital value, measured using market valuation estimates prepared by Telfer Young.

Portfolio value by location - as at 30 June 2015

Location	No. of leases	Lessor's interest (\$m)	% of total	Rental (\$m pa)	Income yield
Seafront	11	\$17.4	54%	\$0.80	4.6%
Ahuriri Other	9	\$1.7	5%	\$0.12	7.0%
Pandora	16	\$4.6	14%	\$0.33	7.1%
Onekawa	36	\$6.8	21%	\$0.32	4.7%
Other	2	\$0.8	2%	\$0.05	7.0%
Vacant	2	\$1.0	3%	-	-
<b>Total</b>	<b>76</b>	<b>\$32.3</b>	<b>100%</b>	<b>\$1.63</b>	<b>5.0%</b>

By way of comparison, Council's average return on treasury investments for the year ended 30 June 2015 was 4.58%.

The table below presents historic total returns over a range of investment periods and compares these to a range of benchmarks.

Historic returns - as at 30 June 2015

Analysed period	No. of leases analysed	Total return Council Portfolio *	CBRE Auckland Industrial	CBRE Auckland Overall	NZX50 Index	NZ 10 Year Govt. Bond Yield**
5 years	76	3.4%	17.4%	16.1%	14.0%	5.5%
10 years	76	1.6%	12.0%	12.1%	5.8%	5.7%
15 years	75	14.7%	14.0%	13.6%	N/A	6.9%
20 years	63	16.3%	13.4%	13.1%	N/A	7.5%

\* Total return reflects the lessors interest only in 13 Husheer Place.

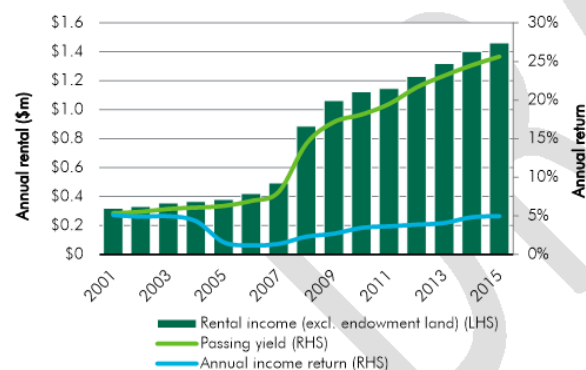
\*\* Bond yield is the yield to maturity at the start of the analysed period

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As illustrated, the Council portfolio has provided a higher return than the selected investment alternatives over 15-year and 20-year investment periods, but has provided a lower return than all selected investment alternatives over the last five-year and ten-year periods<sup>2</sup>. Historically total returns from the Council portfolio were similar to the CBRE Auckland industrial index but significant divergence has occurred between the two over the past ten years with the leasehold portfolio underperforming.

The chart below illustrates the income return from the portfolio (excluding endowment) for the last 15 years. The bars represent the actual dollar cash return achieved, the blue line represents the rental return as a percentage of the opening portfolio book value (revalued annually) and the green line represents the passing yield or return on the 2001 opening (initial investment) value.

**Annual income returns (excl. endowment land)**



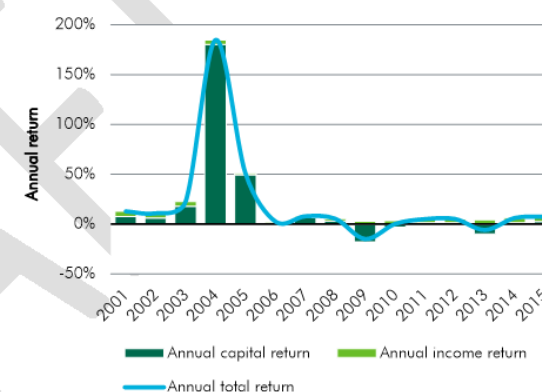
<sup>2</sup> This comparison does not consider 'risk adjusted' returns (which is beyond the scope of this report) it simply compares headline total returns by asset class.

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Historically the portfolio has provided strong total returns at a cumulative average return of circa 14.7% and 16.3% pa over the last 15 and 20 years respectively. However, this was heavily driven by a spike in land values in 2004, as illustrated in the following chart which provides a breakdown of the return contribution.

**Capital and income returns (excl. endowment land)**



The cash return is typically relatively low, as a percentage of asset value, at any point in time because the majority of the portfolio has a 21 year review frequency. Over the last 15 years, the income return as a percentage of the capital value from the prior year, peaks at circa 5.1% and falls to a low of 1.2% of capital value. It is important to note that this is measured relative to capital value, not the initial investment. When compared to the initial investment the cash returns start to look very strong, over time, as illustrated by the green line in the annual income return chart.

#### 2.4.1. Summary

Overall, while the portfolio has performed strongly historically, performance has been relatively subdued over the last ten years. Absent capital growth, the portfolio provides a modest but low risk cash flow.

#### 2.5. Use of income

Expenses related to the ongoing management and operation of the investment property portfolio are summarised as follows.

##### Average annual management and operating expenses

Item	Amount
Salary and overheads	\$50,000
Legal fees	\$15,000
Valuation fees	\$15,000
Arbitration (annualised)	\$15,000
<b>Total</b>	<b>\$95,000</b>

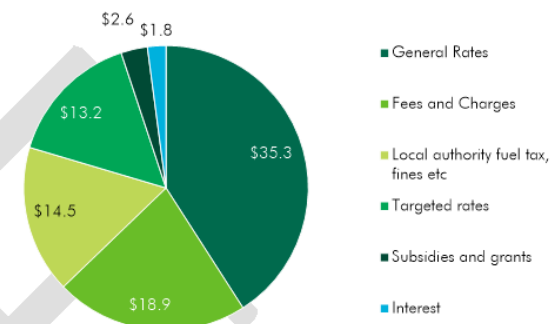
The net income derived from the investment property portfolio after allowing for average annual management and operating costs is circa \$1.53m per annum as at 30 June 2015.

#### 2.5.1. Council funding sources

The following chart illustrates the makeup of Council's operational funding. The net income derived from the commercial and leasehold property portfolio (i.e. post operating expenses) equates to 4.3% of Council's general rates funding. The implication of this is that, to the extent the investment property portfolio was sold and the proceeds not re-invested in assets providing similar cash return, general rates would rise by up to 4.3%. Where capital can be invested to achieve similar returns, rates may not be affected.

#### Structured Transactions and Advisory Services

Council Sources of Operational Funding 2012/13 Estimate (\$m)



#### 2.5.2. Inner Harbour and Foreshore Reserve

At the same time the commercial lessors interest portfolio was transferred from the Hawkes Bay Harbour Board, Council also took over responsibility for maintenance of the Inner Harbour (wharves, seawalls, dredging etc.) and some Foreshore Reserves. The income generated from the investment property portfolio has, historically, been applied to funding part of the cost associated with these activities.



### 3. Is leasehold tenure having an impact on reinvestment in Napier?

#### 3.1. How can the impact (if any) be measured?

It is difficult to definitively determine whether leasehold tenure is having an impact on investment decisions in Napier. However, as a means of addressing this, we have considered:

1. General observations made during our physical inspection of the investment property portfolio and discussions with lessees.
2. The profile of the lessees (i.e. the proportion of owner occupiers versus investors) and whether this might impact on reinvestment, anecdotally or theoretically.
3. A worked example of a hypothetical development feasibility for a typical industrial property, in order to demonstrate how investment decisions are (or should be) considered.
4. The ratio of capital value to land value for all sites within the Onekawa area, as a broad measure of the level of investment in freehold versus leasehold sites.
5. The relative age of improvements for leasehold versus freehold sites in Onekawa as a broad determinant of the level of investment that has occurred in recent years and to understand the remaining useful life of improvements within the portfolio and how this might affect reinvestment going forward.
6. Other examples/case studies from Auckland where parallels can be drawn with the NCC portfolio.

#### 3.2. General observations

During our visit we physically inspected (from the exterior only) a large number of the NCC properties in Onekawa, Pandora and Ahuriri.

At a high level, no noticeable difference in appearance/presentation of the exterior of the leasehold properties was observable relative to the surrounding freehold properties. That is, the tenure does not **appear** to be having an impact on the level of maintenance and upkeep undertaken by the lessees, at a portfolio level. There are of course site-specific exceptions.

In fact, many properties appear to have been redeveloped/modernised in recent years (e.g. residential and mixed use development in Ahuriri). However, this investment generally occurred in the last 'wave', prior to the GFC, and we understand from discussions with lessee's that any investment over the seven years since the GFC is likely to have been minimal.

The lessees we met with all displayed very negative sentiment towards leasehold property in general and argue that ground rent obligations do affect their investment decisions. However, we note that we met with a small sample of lessees only, specifically selected by Council because of their strong views.

### 3.3. Profile of the lessees

The following table summarises the proportion of lessees that are owner-occupiers, sub-lessees (i.e. investors) and body corporate lessees.

**Profile of the lessees**

	Leases No.	Area (ha)	Value (\$m)	Rent (\$m pa)
Owner occupied	34	6.0	\$13.2	\$0.74
Sub-leased (i.e. investors)	37	7.3	\$9.0	\$0.50
Body corp. lessees	3	2.3	\$9.1	\$0.39
Vacant	2	0.8	\$1.0	-
<b>Total</b>	<b>76</b>	<b>16.4</b>	<b>\$32.3</b>	<b>\$1.63</b>

We make the following observations:

- The proportion of owner occupiers and investors is broadly equal across the portfolio with 34 and 37 leases respectively. When weighted by land area, owner-occupiers account for a smaller proportion of the portfolio than investors; however, the reverse of this is true when weighted by value or rent.
- The average annual ground rent for the owner-occupied properties equates approximately \$22,000 per annum per lease and \$13,500 per annum per lease for the subleased properties. With regard to the body corporate lessees, the share of rental for each individual unit owner (circa 150 units over the three properties) equates circa \$2,600 per annum.

On balance, this analysis is not particularly clear or conclusive as to whether the profile of the lessees might be impacting on reinvestment in Napier.

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### 3.4. The impact of tenure on development economics – worked example

To illustrate how tenure might be having an impact on reinvestment in Napier, we have undertaken high level residual analysis for a hypothetical industrial development, which seeks the economic or 'feasible' price for a parcel of land when all development costs and margins are deducted from the site's 'highest and best use' value.

In this example we first seek the indicative economic rents that are required to support a land value that is in line with market (freehold) evidence and second, we analyse how the development economics are altered under a leasehold scenario. Finally we compare the economic rents to market rents to assess how this further affects the equation.

Our analysis is on the basis of a 2,000sqm site which is proximate to the average site within the Council portfolio, and we assume the following GFAs, rental rates and build costs.

**Indicative revenue and cost assumptions**

	GFA (sqm)	Net rental* (\$/sqm)	Build cost (\$/sqm)
Office	200	\$180	\$1,800
Warehouse	1,000	\$90	\$700
Yard	500	\$0	\$70

\* Indicative economic rental.

**Indicative value parameters**

	Freehold	Leasehold
Ground rent (% of freehold land value)	N/A	5.00%
Capitalisation rate	7.50%	9.00%

We note:

- Our adopted revenue and cost assumptions are high level only; this analysis is provided for illustrative purposes only and should not be treated as an accurate representation/assessment of market value.
- The adopted leasehold capitalisation rate reflects a margin of 150 basis points relative to freehold. In reality this margin could be larger; sales of lessee's interests have been in the order of 8.5% to 17%+ over the last 3-5 years, although for generally smaller scale, secondary quality properties.
- We have modelled ground rental of 5% of freehold land value under the leasehold scenario, which is consistent with the majority of Council's portfolio.

The residual values under each approach are presented below.

#### Indicative residual value

	Freehold (\$m)	Leasehold (\$m)
Indicative value	\$1.72	\$1.29
Less: Development margin 12%	\$0.18	\$0.18
Less: Total development cost	\$1.28	\$1.27
<b>Residual land value (\$m)</b>	<b>\$0.25</b>	<b>-\$0.16</b>
<b>Residual land value (\$/sqm)</b>	<b>\$127</b>	<b>-\$81</b>

The freehold land value implied is \$127psm which is broadly in line with land sales evidence in Onekawa (at net rents of \$170psm and \$90psm for the office and warehouse respectively). The negative value implied under the leasehold scenario demonstrates that development on land with leasehold tenure is challenging. Consequentially, leasehold tenure could be inhibiting development on land within the Council portfolio.

Market rents for new-build industrial premises are currently in the order of \$750 to \$85psm for warehouse and \$130 to \$150 for office

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#### Structured Transactions and Advisory Services

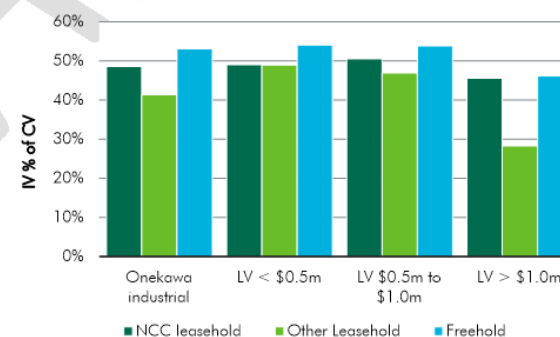
(gross, with outgoings at 8% to 10%), which is well below the economic rents required to support an appropriate development margin. This suggests leasehold tenure is unlikely to be materially impacting the level of investment in Napier at present, because feasibility appears to be challenging on freehold land.

### 3.5. Analysis of capital value to land value in Onekawa

As another means of investigating the impact of leasehold tenure on investment decisions in Napier, we have analysed the ratio of capital value to land value for all sites within the Onekawa area.

We chose Onekawa because both NCC and Corunna Bay Holdings have reasonably significant leasehold portfolios within the Onekawa area and it is therefore possible to obtain a reasonable sample to analyse. The chart below presents improvement value as a percentage of capital value based on rating valuations.

#### Improvements value as a percentage of capital value in Onekawa



As illustrated, the level of investment in sites with freehold tenure is higher than both the Council leasehold portfolio and the remaining



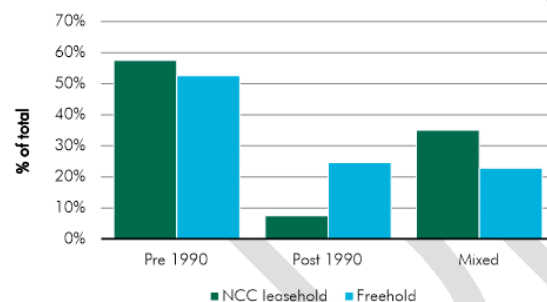
leasehold assets owned by the private sector. These trends are generally supportive of the view that leasehold tenure has restricted investment in improvements.

There are properties within the NCC portfolio where land is underdeveloped. In theory, the lessees should develop these sites to their highest and best use in order to maximise revenue from the improvements; however not all lessees are capable of the investment required.

### 3.6. Age of improvements in the NCC portfolio

The following chart provides analysis of the general age of properties in the NCC portfolio, relative to freehold, in Onekawa.

**Building age: NCC vs freehold in Onekawa**



This illustrates that the proportion of properties with improvements built in the 1980's and earlier (i.e. older than 25 years) is broadly similar for both the NCC and freehold samples, at circa 58% and 53% respectively.

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Interestingly, however, the NCC portfolio has very few properties that have been developed in the last 25 years and a larger proportion of 'Mixed' age (i.e. partially redeveloped/upgraded) properties.

This possibly suggests that, for leasehold properties, owners are more likely to invest in smaller (i.e. less expensive) additions and alterations to existing properties when required, to prolong the life of the asset, rather than demolish old/obsolete improvements and build new.

### 3.7. Other examples

The Cornwall Park Trust Board in Auckland has, in recent years, faced similar challenges that NCC is now being presented with, typically as a consequence of 21-year rent reviews resulting in substantial increases in ground rent for lessees.

In one recent, well publicised case, a Cornwall Park lessee's rent was increased by nearly 800% following a 21-year review which ultimately led to the abandonment of the property. Earlier this year it was further reported that the Trust Board had eight to ten properties in the area that were abandoned/vacant as a result of large rental increases.

The Cornwall Park portfolio is entirely residential, and differs from the NCC investment property portfolio in that respect; however, around half of the NCC lessees are owner-occupiers and are therefore responsible for ground rent payments either personally or through their businesses and are therefore personally affected by large rental increases, not unlike like the Cornwall Park lessees.

At the opposite end of the spectrum, institutional property investors and developers do successfully develop on leasehold land. As one example, Goodman is currently developing the Fonterra HQ on leasehold land in Auckland. Goodman owns the lessee's interest and will sub-lease the improvements to Fonterra. Fonterra will not be

#### Structured Transactions and Advisory Services

liable for ground rent (Goodman will meet this cost) and income that Goodman receives, once occupied, will therefore equate the net improvements rent, less the ground rent.

Private property investors that own the lessees' interests in the NCC portfolio are, or should be, more aligned with the Goodman example. Owner-occupiers with small business potentially exhibit characteristics similar to the Cornwall Park lessees.

term). Unfortunately, this is not well understood and only crystallises when the ground rental increases every seven or 21 years.

#### Point of View

Commercial leasehold property has historically provided a more affordable way for small business owners to own their premises. However, with interest rates at historically low levels, with first tier banks offering mortgages at circa 5.0%, leasehold tenure no longer provides a more affordable option where the ground rental percentage is at similar levels (5.0%), which is the case in the NCC portfolio.

Conceptually, if managed correctly and well understood, leasehold tenure in a commercial setting can nevertheless be a viable alternative. However, leasehold tenure does, in most cases, tend to cause problems over the medium to long term, particularly where the frequency of rent reviews is low and/or land value growth is significant. In part this is because land value growth has exceeded expectations in many locations and interest rates have fallen to a point where they are similar to ground rental percentages. However, perhaps the most basic issue is that purchasers / lessees tend to view their asset as an investment in real estate. Under a traditional ground lease with market rent reviews the lessee does not own an investment in land (or real estate); the lessee rents the land and owns an investment in buildings or improvements. While investments in real estate typically appreciate, an investment in a building typically depreciates as it ages (like a photocopier or car but over a longer

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## 4. Should Council offer the right to freehold?

It is evident from our discussions with Council staff and lessees that some animosity exists and this is ultimately unhealthy for the relationship between Council and businesses in Napier.

In addressing this question, we are also drawn to Council's investment policy which maintains that *"Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective."* In this case, it would be difficult to argue any community, social, physical or economic benefits accruing as a result of the investment property portfolio.

On this basis, we believe Council should consider offering lessees the right to freehold and to assist with this decision we have considered:

1. Whether alternative investments are available;
2. Whether freeholding is likely to enhance investment in the region;
3. The downsides/risks associated with freeholding; and
4. How the portfolio would be expected to perform going forward.

We address these considerations as follows.

### 4.1. Are alternative investments available?

In our view, the decision to divest the investment property portfolio should not be based on any one or more specific alternative investments. The freehold decision is independent of what to do with the proceeds.

However, if Council does decide to freehold, then it will need to consider what alternative investments are available, having regard to its investment policy. Having reviewed the investment policy, it is likely that it would need to be reviewed in order to accommodate longer term investment alternatives and Council would require independent investment advice in this regard. Council currently has nil external debt and therefore the proceeds cannot be used for this purpose.

Noting Council's relatively low appetite for risk, its desire for stable income returns (to fund its operational activities) and its tax status, we have compared a selection of potential investment alternatives, at a conceptual level, with the existing investment property portfolio. This analysis is attached (Appendix II).

Generally, the strengths of the existing investment property portfolio include:

- Limited management requirement.
- An inflation hedge, where land price growth correlates with inflation, in that the capital value tends to grow over the long term with the property market.
- Relatively stable and low risk cash flow.



The table below summarises the benefits and disadvantages of continued investment in the leasehold portfolio, relative to alternative investments.

**Pros and cons of continued ownership of the leasehold portfolio**

Pros	Cons
<ul style="list-style-type: none"> <li>The cash flow return is relatively low risk and has historically proved relatively stable.</li> <li>Historically (over the last 20 years) the portfolio has outperformed alternative investments, having generated total returns in excess of 16% pa (CAGR).</li> <li>The investment is relatively passive and requires limited management relative to say freehold commercial investment property or direct investment in shares without a fund manager.</li> <li>NCC can utilize its tax exemption</li> </ul>	<ul style="list-style-type: none"> <li>The investment property portfolio is not particularly diversified either from a geographic or asset class perspective.</li> <li>Total returns over the last 5-10 years have been suboptimal.</li> <li>Council ownership has created animosity amongst ratepayers and is not healthy for the relationship between Council and businesses.</li> <li>The portfolio is relatively more management intensive than say, government bonds or an investment in a diversified fund, managed by a fund manager.</li> </ul>

## 4.2. Is freeholding likely to enhance investment in the region?

In our view, there are two quite distinct components to this question:

1. Is freeholding likely to enhance overall investment in the Hawke's Bay region and specifically Napier? i.e. is it likely to encourage new and productive capital investment? This is the 'macro' question.

2. Is freeholding likely to encourage investment in the specific assets which form part of the existing NCC leasehold portfolio? This is the 'micro' question.

### 4.2.1. Macro considerations

Numerous factors will drive investment in the Napier region. As an economy with significant exposure to rural production, agriculture commodity prices and exchange rates will play a significant part in economic performance and therefore the appetite to invest. Population growth will also drive growth in commercial and business services and access to labour supply will, in addition to proximity to markets and supply chain, drive investment in processing and manufacturing.

There will be many other factors and land tenure, in some cases, may be one. While it is beyond the scope of this report and the author's expertise to undertake a comprehensive assessment of the region's economic growth potential, we expect that at a macro level, land tenure is likely to be lower down the hierarchy of investment drivers than many other factors. Put another way, we find it difficult to believe that, at a macro level, freeholding the NCC portfolio would have a material impact on the region's ability to attract capital and / or grow GDP.

### 4.2.2. Micro considerations

By contrast, at a micro level we have little doubt that the existing tenure will restrict investment in those businesses located on NCC owned land. This suggests that freeholding will, in the long term, inevitably lead to greater investment in the subject sites. However, we understand that many lessees are capital constrained at present and, therefore, in the short to medium term, committing to purchase the freehold from Council is likely to absorb much of the financial capacity that exists i.e. acquisition of land would tie up additional

capital relative to the status quo (i.e. not freeholding). Any benefit in terms of additional investment that accrues from freeholding is likely to take some time to observe.

#### Case study – 84 Thames Street

84 Thames Street is a property in the NCC portfolio where the lessee is in arrears and we have selected this property as a case study to determine whether freeholding would be beneficial for the lessee.

The lessee's interest at 84 Thames Street was purchased by Thames Street Holdings Limited (TSHL) in 2002 for \$130,000. The ground rental was reviewed to \$31,500 per annum in 2009 (an increase of 379% over seven years) and is currently above market.

Based on a recent Bayleys appraisal, updated for the current ground rent, the lessee's interest is indicatively worth circa \$7,000 at present. The lessor's interest is currently valued at \$364,500, therefore the combined value of the lessee's and lessor's interest is \$371,500. The freehold value of the property, assuming some value in the improvements, could likely be conservatively \$400,000 which is circa \$28,500 greater than the value of the combined lessee's and lessor's interest (marriage value).

If TSHL has more than \$7,000 debt owing on the lessee's interest at present, it will have negative equity in the property. However, if the debt owing is relatively low (circa 27% or less in this example, i.e. less than \$35,500), TSHL would benefit from purchasing the freehold, because the marriage value would exceed the value of its existing (negative) equity.

Conversely, if TSHL has higher levels of debt at present, it would not make sense to purchase the freehold because the additional capital required would not exceed the marriage value (unless the property is part of a wider portfolio where the total equity gain is realised, i.e. where the starting equity position is positive).

### 4.3. Are there any downsides/risks associated with freeholding?

Potential downsides/risks of freeholding include:

- Valuation risk. For background, the average market freehold land value of the lessor's interest portfolio in Pandora and Onekawa was independently assessed at \$165psm and \$153psm respectively at June 2015. There is limited industrial land sales evidence to analyse, however, from 2012 to now, there has been six industrial land sales in these areas, all between \$81 to \$161psm and generally in the \$115psm to \$130psm range, for 2,000 to 6,000sqm sites.
- There is a high likelihood that few lessees elect to freehold. As we discuss in more detail in the following section, only five of the 33 Iron Pot and Corunna Bay lessees purchased the freehold during the recent sale process. The key issue with this is that sale proceeds are 'drip-fed' to Council over time, making reinvestment more difficult because of a lack of scale.
- A suitable alternative investment must be found; reinvestment risk therefore exists. If alternatives are lower yielding or provide more volatile returns, Council may be required to increase rates or decrease spending. Any rates increases would be in addition to the increases already proposed, as summarised below.

#### Proposed Napier City rates over the next five years

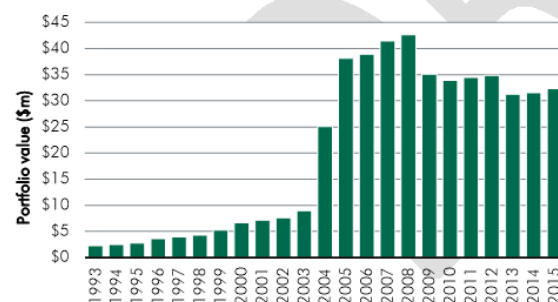
	2015/16	2016/17	2017/18	2018/19	2019/20
Amount (\$000)	48,609	50,745	53,372	55,886	58,234
Annual increase	2.9%	4.4%	5.2%	4.7%	4.2%

Assuming Council could sell the entire portfolio at book value in one line (i.e. circa \$32 million) and reinvest the proceeds at the average rate of return it received on treasury investments over the last 12 months (i.e. 4.58%), it would generate annual income of circa \$1.48m, leaving a shortfall of just \$150,000 per annum relative to the current net income derived.

#### 4.4. How would the portfolio be expected to perform going forward?

As illustrated in the following chart, the portfolio experienced significant capital growth between 2003 and 2008, particularly in 2004 and 2005, although values have since come back nearly 30% from the peak and only modest growth has occurred over the last two years. Approximately 50% of the portfolio by value was reviewed during the four year period between 2005 and 2012 and, as a result, circa 30% of the portfolio (by value) is now considered to be rented above market levels. This component of the portfolio therefore offers limited growth potential.

Historic value of the investment property portfolio



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Approximately 28% of the portfolio (by value) comprises leases with 21-year review cycles that are due for review in the next ten years. All of these properties were last reviewed prior to 2004 and this component of the portfolio is therefore likely to experience considerable rental growth. As at June 2015, the market rent for these properties is circa 356% above current rent.

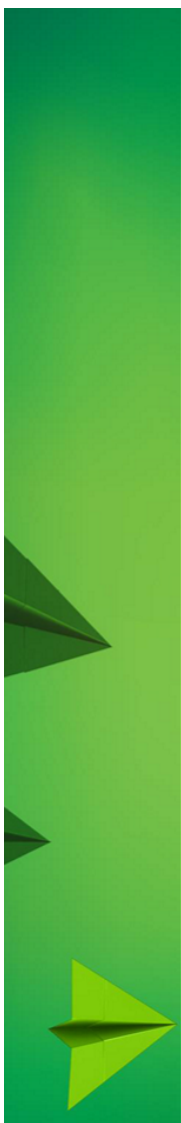
More generally, economic indicators suggest that capital growth is unlikely to be material over the short to medium term:

- Napier City's population is projected to increase by just 3.6% in total over the ten years between 2015 and 2025, reflecting a compound average growth rate ('CAGR') of 0.4% per annum<sup>3</sup>.
- The unemployment rate in Napier City has broadly been in the order of 7.5% to 8.5% for the last five years which is above the national average.
- GDP growth in the Hawke's Bay is forecast to be between 1.5% and 2.5% per annum over 2015 to 2025<sup>2</sup>. By comparison, national GDP growth is forecast between 2.8% and 3.3% per annum over 2015 to 2019.
- The residential property market in Napier City has been steadily improving over the last 12 months, with sales volumes now at the highest level since mid-2007. Prices also picked up noticeably in late 2014/early 2015 and are above pre-GFC levels.
- The commercial property market is more subdued, particularly for CBD retail and office in Napier. In contrast, the strength of the primary producer sector in Hawke's Bay is underpinning a strong construction market for large scale cool-store and food processing plants in the region (i.e. outside of Napier).

<sup>3</sup> Forecast is from the Napier City Council Long Term Plan 2015-2015.



On balance, we would expect capital growth returns to remain modest over the short term, supplemented by income returns which are currently circa 5.0% per annum.



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## 5. If Council offers the right to freehold, how should it do it?

### 5.1. Iron Pot Investments and Corunna Bay Holdings

The Iron Pot and Corunna Bay portfolio was taken to market by CBRE in 2014, offering the lessees the right to purchase the lessor's interest (i.e. the freehold interest).

The portfolio was essentially broken down into two tranches, namely (a) the smaller properties which are generally leased by 'mum and dad' investors and smaller companies, and (b) larger sites over circa 1Ha with corporate and larger private lessees. In short:

- The vendor's expectation of value was not necessarily entirely rational, seeking yields in the order of 4% to 4.5% on the basis of interest rates available on bank deposits.
- There was strong interest to purchase from the smaller lessees; however, valuation advice was typically below the vendor's expectations and negotiations took place and generally fell through over relatively small amounts. We are also aware of instances where lessees made offers close to the vendor's desired pricing (e.g. within \$20k) but were capital constrained and could not raise the additional funds or did not fully understand the concept of marriage value.
- Pricing was the key issue for the larger lessees, with yield expectations generally in the order of 6% to 6.5%.
- Many properties have been underinvested in and have limited improvements value, which was identified as a key risk by investors.
- Investors were also somewhat reserved about growth expectations in the Hawke's Bay.

### 5.2. Process

To date, only a handful of properties have sold, all to one investor who owns a number of lessee's interest in Napier, and the process is now proceeding 'off market'. Price has typically been the key constraint, and the vendor is not necessarily a particularly 'willing' participant.

At one end of the spectrum, Council could elect to undertake a fixed term offer process that would provide lessees the right to purchase the freehold within a predetermined timeframe. Alternatively, the right to freehold could be incorporated within the existing leases which would provide lessees with a perpetual option to purchase. We consider the alternatives below.

#### Fixed term offer to existing lessees

- Council serves a letter to lessees which provides a fixed-term (say 6-12 months) opportunity to freehold.
- The letter sets out the price (e.g. existing or updated book value) with the relativity to (percentage of) freehold value referenced.
- A vendor funding/ 'rent to own' package could be provided if desired (which we discuss in more detail later in this section).

#### Right to freehold is incorporated into the leases

- Council arranges to have the leases varied.
- The freeholding pricing mechanism would be defined in the lease (e.g. market value, to be established by a registered valuer).



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- The valuer would be instructed to assess the market value of the lessees interest and present relative to freehold value.
  - The terms could provide that the lessor (Council) instructs the valuer with the assessed value setting the price; or
  - The lessor and lessee could separately instruct their own valuers and attempt to negotiate/arbitrate on the price. There is a greater risk of an inferior outcome to Council under this approach and negotiations could stall and/or become expensive.

The following terms are not considered appropriate:

- Vendor funding / 'rent to own' package: Future councils would be left with a potentially undesirable and onerous financial commitment in perpetuity.
- Price set at a percentage of freehold value: This may lead to behaviours where, for example, lessees wait for the optimal time to transact, i.e. when the market value is greater than the predetermined percentage. This approach is taken with residential sites in some cases because it is easy for lessees to understand but it is not strictly rational.

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### Pros and cons of the options

Option	Pros	Cons
<b>Fixed term offer to existing lessees.</b>	<ul style="list-style-type: none"> <li>• Capital realised quicker.</li> <li>• Doesn't bind future councils (but doesn't preclude future offers).</li> <li>• Ensures the 'call to action' is balanced with sufficient flexibility to arrange funding (debt and equity).</li> </ul>	<ul style="list-style-type: none"> <li>• Some lessees may not have the capacity to execute at this time.</li> <li>• Unlikely to work for residential/mixed use properties that require multiple owners to agree (i.e. bodies corporate).</li> </ul>
<b>Right to freehold is incorporated into the leases.</b>	<ul style="list-style-type: none"> <li>• Would improve the liquidity of lessee's interests.</li> <li>• Greater potential for uptake over time.</li> </ul>	<ul style="list-style-type: none"> <li>• Council could be 'drip-fed' capital in small amounts over time, making reinvestment difficult.</li> <li>• Exposed to market cycles (e.g. lessees may make offers when market is weak).</li> </ul>

### 5.2.1. Residential / Mixed use versus balance

The process of freeholding the subdivided/strata-titled lessee's interests (i.e. multi-unit residential and mixed use properties) will likely be more challenging.

In these cases it is ultimately the body corporate that Council will be negotiating with, i.e. a single entity; however, the respective body corporates would first need to pass a special resolution requiring a minimum 75% vote in favour of freeholding.



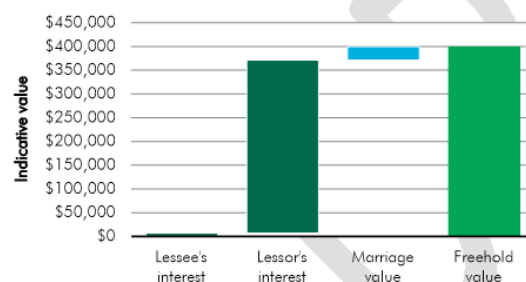
For this reason Council would need to be prepared to engage over potentially a number of years in order to (a) provide enough time for unit owners to arrange their finances (debt and equity) and (b) allow the body corporate to achieve the required level of lessee 'buy in' to pass the special resolution.

### 5.2.2. Market value

If Council offers the right to freehold it would need to continue to act commercially in the interest of ratepayers and any sale of the freehold should therefore be at market value (market value of the lessor's interest, as opposed to market land value).

That said, market value represents a good deal for lessees because freehold value typically exceeds the combined value of lessees' and lessors' interests, with the surplus referred to as 'marriage value'. The following chart illustrates how marriage value 'bridges' the gap, using 84 Thames Street as the basis of analysis.

Marriage value diagram – 84 Thames Street



Note that this analysis is high level and is undertaken for illustrative purposes only. It is not intended to provide an accurate representation of value.

### 5.2.3. Vendor funding package with fixed term offer

Ultimately, if Council elects to offer a funding package to lessees, the terms need to be at market, i.e. no more favourable to lessees than terms offered by the major banks. Where Council did offer a lower interest rate, for example, this is equivalent to discounting the sale price.

A 'market based' funding package may still assist with uptake because it removes one hurdle for lessees.

### 5.2.4. Engagement with banks

In order to ensure the support of local lenders it may be appropriate to engage directly with banks (relationship managers and credit) prior to making the freeholding offer, to demonstrate the merits of the proposal.

The 'marriage value' that exists when the lessees' and lessors' interests are combined presents considerable value for both the mortgagor and mortgagee. It is possible that many lessees that purchased prior to the GFC have negative equity and freeholding would likely enhance their position and significantly improve the lenders' security.

Council could also potentially establish general terms that banks would be willing to offer to lessees.

Having all stakeholders informed and 'on board' before formally commencing the process may help to mitigate some of the risks/uncertainties and ultimately improve uptake of the offer.

## 6. If Council elects to sell the freehold, what should it do with the proceeds?

Ultimately, if NCC elects to freehold all or part of the portfolio, it could then:

1. Reinvest the proceeds in alternative investments, having regard to investment policy, to continue to provide ongoing income and fund operations.
2. Invest the proceeds in other initiatives that may not generate a direct financial return, but may be deemed to provide economic return to the city/region, or to address social, cultural or environmental outcomes.

We firstly address NCC's current investment policy, and then address the benefits and advantages of continued ownership relative to each of these alternatives.

### 6.1. Current investment policy

Council's investment activities are guided by the Trustee Act of 1956 which highlights that, when acting as a trustee or investing money on behalf of others, trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person or business would exercise in managing the affairs of others.

#### 6.1.1. Acquisition of new investments

With the exception of treasury investments, new investments are acquired if an opportunity arises and approval is given by the appropriate Council Committee, based on the advice and recommendation of relevant Council officers. Prior to making an investment Council gives due consideration to the contribution the investment will make in fulfilling Council's strategic objectives, and the financial risks of owning the investment.

#### 6.1.2. Mix of Investments

Council maintains the following mix of investments.

##### Equity investments

Equity investments are held for various strategic, economic development and financial objectives, as outlined in the Long term Plan. Equity investments currently include interest in the Hawkes Bay Airport Authority and Oamaru Landfill Operation.

##### Property investments

Property investments are held only where it is necessary to achieve Council's strategic and commercial objectives, or where it is deemed to be a core Council function. At present, property investments include car parking, the leasehold portfolios and rental and retirement housing.

##### Treasury Investments

Council maintains treasury investments to manage loan redemption reserves, trusts, bequeaths and special funds as well as to invest surplus cash and working capital funds. Essentially, Council seeks to:

- Ensure investments are liquid.
- Maximise investment return.
- Manage potential capital losses due to interest rate movements.

The table below summarises the approved investments available to Council for the purposes of treasury management. Investment in corporate shares is expressly forbidden.

### Counterparty limits

Issuers	Approved instruments	Minimum long-term & short-term credit rating (S&P)	Maximum per counterparty	Max % of total investment portfolio
NZ Government	Treasury bills, Government stock	N/A	Unlimited	100%
NZ Local Government Funding Agency	LGFA Fixed and Floating Rate Bonds, Promissory notes / Commercial paper, Borrower Notes	AA-/A-1	\$40m	50%
NZD Registered Supranationals	Promissory Notes / Commercial Paper, Fixed and Floating Rate Bonds	AAA	\$20m	30%
State Owned Enterprises	Promissory Notes / Commercial Paper, Fixed and Floating Rate Bonds	A+/A-1	\$15m	20%
NZ Registered Banks *	Money market call deposits and term deposits, Registered Certificates of Deposit, Senior Bonds	A+/A-1	\$30m or 40% of total portfolio (whichever is the lesser)	100%
Corporate Bonds *	Promissory Notes, Commercial Paper, Fixed and Floating Rate Senior Bonds	A+/A-1	\$3m	20%
Local Authority	Fixed and Floating Rate Bonds and Stock, Commercial Paper	A+/A-1 (if rated) Unrated	\$5m \$3m	20%

\* Note: An approved exception to the above is other treasury investments made with local registered banks that are regulated by the RBNZ having a credit rating of at least BBB. Such investments shall be limited to a term of 3 months or less and be for not more than \$2 million in aggregate. At no time should the total exposure to this risk category be greater than 5% of the total investment portfolio.

## 6.2. Option 1: Reinvest the proceeds for financial return

If Council sells the freehold in all or part of the portfolio and elects to reinvest the proceeds for financial return, it is likely that the current investment policy would need to be reviewed in order to accommodate longer term investment alternatives.

If NCC wishes to consider redirecting or reallocating part, or all of, the existing investment portfolio, the key considerations are likely to be:

- Appetite for risk.
- Diversification.
- Management commitment/fees.
- Tax.
- Liquidity.

Ultimately, Council would require investment advice in this regard. However, to assist Council in its thinking, a conceptual comparison of alternative investment options is provided in Appendix II.

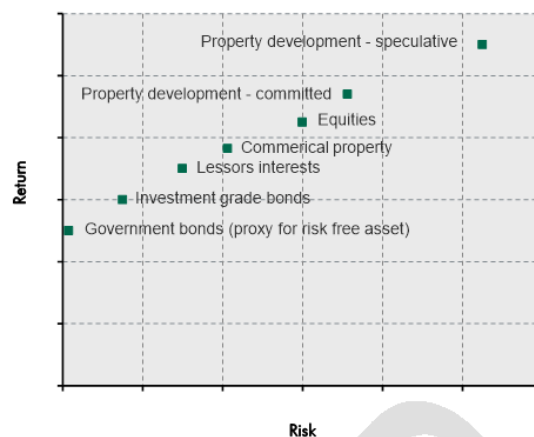
### 6.2.1. Risk and return expectations

The following chart provides a conceptual illustration of the relationship between return and risk for various investment classes. This illustrates that, as return expectations increase, expected risk (or volatility in return) also increases.

The chart also illustrates where a number of asset classes are typically considered to fit on the risk-return spectrum. For example, equity investments (shares) are typically regarded as being more risky than commercial property investment and investment grade bonds are typically regarded as being lower risk than commercial property. There will of course be exceptions; this is illustrative only.



Conceptual risk-return diagram



We have positioned an investment in lessors interests (similar to the portfolio held by NCC) between investment grade bonds and commercial property. There will be some bonds that exhibit more risk than NCCs portfolio (depending on their credit rating for example) and potentially some commercial property that could be regarded as lower risk, but in general, the chart provides some idea of where the current investment sits. The relative gap between each asset class (i.e. the scale of the axis) will also vary over time.

### 6.3. Option 2: Invest in other initiatives that may not provide a direct financial return

The second alternative available (relative to status quo) is to sell all or part of the investment portfolio and reinvest the proceeds in projects that do not generate a direct financial return for NCC, but have the potential to grow the rating base, for example.

The decision to allocate proceeds towards alternative initiatives to realise economic, social, cultural or environmental outcomes is ultimately a decision for Council, however we would note that:

- Once this decision is made, it is unlikely to be easily reversed, if at all, and when the funds are exhausted, clearly the options with that capital are at an end.
- The economic benefits associated with these projects would need to be critically evaluated on a case-by-case basis, relative to the costs, and projects should be subject to a separate business case.

#### 6.3.1. Economic Development

Council is keen to improve economic activity in the region by supporting existing businesses, major regional events and regional business initiatives such as Business Hawke's Bay.

The Economic Development Manager is tasked with implementing a plan to attract businesses to Napier and would like to see greater funding of economic development initiatives.

Council produced a consultation for the Long Term Plan 2015-2025 that sought feedback on a proposal to fund \$0.2 million per year for economic development initiatives and circa \$0.1m funding for Business Hawke's Bay, in addition to existing budgets.

The Economic Development department's responsibilities include:



- Revising the Hawke's Bay Regional Economic Development Strategy.
- Developing a regional Business Attraction Strategy.
- Leading Napier and regional business promotion activities.
- Directing Council's financial assistance to key local and regional economic development organizations and initiatives such as Business Hawke's Bay, the Art Deco Trust and Napier City Business, Inc.
- Maintaining and enhancing the Council's sister city relationships.
- Facilitating business development, business start-ups and mentoring in collaboration through the various organisations in the Business Hub.

One option would be for any proceeds to be allocated to this department for reinvestment.

### 6.3.2. Development agency

Council has expressed an interest in understanding the merits of establishing a development agency for Napier, similar (albeit on a smaller scale) to Panuku Development Auckland.

#### Overview

Typically, development agencies are tasked with driving urban renewal in areas of a city that exhibit an underutilisation of land, have reached a point where comprehensive change in land use is required or where town centres require revitalisation, for example. In some cases development agencies start with a single focus e.g. Tamaki Redevelopment Company (TRC) or Auckland Waterfront Development Agency (AWDA), and then evolve into entities with wider regional mandates; this has been the experience in Australia and in effect describes the lifecycle of Panuku Development Auckland (which has evolved from AWDA and Auckland Council Property Limited).

**CRRF**

#### Structured Transactions and Advisory Services

Development agencies may also respond to particular market challenges. For example, among many factors driving the establishment of Panuku Development Auckland, the current housing supply shortage is one of the more high profile reasons.

Determining whether a development agency may have merit in Napier would require a full business case. However, before this occurs it would be necessary to identify reasons why one is required. The reason that public sector entities typically play a role in urban renewal via development agencies is because they can drive outcomes that the private sector may otherwise not deliver. This is because urban renewal projects are typically large, involve multiple stakeholders, exhibit complexity in a variety of ways and are long term in nature; all characteristics that make these projects more challenging for private sector capital.

Development agencies also typically seek financial, economic, social, and environmental outcomes. While it is beyond the scope of this report, we are not aware of any obvious candidate projects in Napier and as a first step, we would recommend that NCC seeks to identify potential projects and the outcomes sought in order to establish whether a development agency could have a meaningful impact. Relevant questions (by no means exhaustive) would include:

- Whether the project has scale.
- Whether the site or location is of regional importance.
- Whether the project has the potential to deliver meaningful social or economic benefits and is therefore more than a property development.

We also note that development agencies (or its council / government parent) will commonly own either large or strategically important blocks of land in the location and in some cases these assets derive an income that can be used to fund the entity's activities. Where a

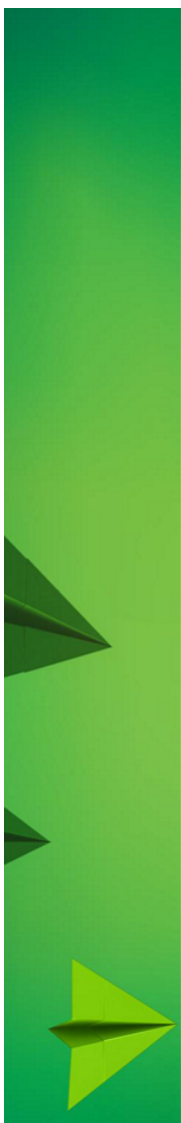
development agency is required to acquire land for the purposes of urban renewal this gets much more challenging.

Finally, in order to be effective, a development agency will require investment in the form of operating funding and where there is limited scale (i.e. number and size of projects) the overhead cost associated with the entity would need to be carefully managed in order to ensure that the benefits outweigh the costs.

### Challenges

Given the complexity of these projects, it is not uncommon for various stakeholders to have different agendas, which need to be managed carefully to ensure that conflicts result in better outcomes, not inaction. Ultimately, it is this complexity and these challenges that give rise to the need for development agencies.

In addition to navigating these complexities, a core component of a development agency's role is to engage with the private sector and, in our view, successful outcomes will rely heavily on the agency's ability to productively engage with this market.



**CRRF**



## Appendix I – Total and income returns calculations

Total return is the sum of capital growth and net income in a single period expressed as a percentage of capital employed, with income reinvested. The following formula is used to calculate Total Return (TR<sub>t</sub>) for a single year t:

$$TR_t = \frac{(CV_t - CV_{(t-1)} + I_t)}{CV_{(t-1)}}$$

Where:

- TR<sub>t</sub> = Total Return in year t;
- CV<sub>t</sub> = Capital Value (lessor's interest valuation) at the end of year t;
- I<sub>t</sub> = Rental income during year t.

The following formula is used to calculate Income Return (IR<sub>t</sub>):

$$IR_t = \frac{I_t}{CV_{(t-1)}}$$

## Appendix II – Alternative investment options

The table below provides a selection of potential investment alternatives and compares these, at a conceptual level, with the existing investment property portfolio.

### Conceptual alternative investment options

Investment alternative	Complies with Council investment policy	Management Commitment/ Cost	Ability to benefit from Council tax exemption	Ability to diversify	Liquidity
Government bonds	✓	Nil	✓	n/a	↑
Commercial bonds	✓	Nil	✓	✓	↑
Term deposits	✓	Nil	✓	n/a	↑
Lessors interest portfolio located elsewhere in NZ	?	↑	✓	✓	↔
Commercial property in Napier	?	↑	✓	✓	↔
Commercial Property outside Napier (e.g. Auckland, Wellington)	?	↑	✓	✓	↔ ↑
Managed Fund	?	↑ (outsourced)	✗	✓	↑
Share portfolio	✗	↑ (outsourced)	✗	✓	↑

### Legend

Symbol	Description
✓	Yes
✗	No
?	Not currently contemplated by Council Investment Policy
↑ or ↑	Higher than for Council's lessor's interest portfolio
↔	Same or similar to Council's lessor's interest portfolio
↓ or ↓	Lower than for Council's lessor's interest portfolio

### Risk and return considerations

The table below compares the risk and return associated with alternative investment options that may be available to Council. Again, the arrows compare the relevant alternative investment with the existing investment property portfolio, per the legend to the right.

#### Risk and return considerations

Investment alternative	Expected total return <sup>4</sup>	Expected income return <sup>2</sup>	Capital growth potential	Risk profile
Government bonds	↓	↑	Nil	↓
Commercial bonds	↑↓	↑	Nil	↑↓
Term deposits	↓	↔	Nil	↓
Lessors interest portfolio located elsewhere	↔	↔	↔	↔
Commercial property in Napier	↔↑	↑	↑	↑
Commercial Property outside Napier (e.g. Auckland, Wellington)	↑↓	↑	↔↑	↔↑
Managed Fund	↑	↑	↑↓	↑
Share portfolio	↑	↑↓	↑ (generally)	↑

#### Legend

Symbol	Description
✓	Yes
✗	No
↑ or ↑	Higher than for Council's lessor's interest portfolio
↔	Same or similar to Council's lessor's interest portfolio
↓ or ↓	Lower than for Council's lessor's interest portfolio

<sup>4</sup> Actual returns will inevitably vary from expected returns. Expected returns provide an indication of the return that would be expected, in the long run, from an investment of this nature, acknowledging the risk of the investment. As discussed, investments with higher expected returns typically exhibit higher expected risk and the probability that actual returns will vary from expected returns is therefore higher, as the expected return increases.

## Appendix III – Map of NCC investment properties



CBRE  
CBRE



## 2. SUMMER STREET PARTY - SALE OF FOOD

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Type of Report:	Operational
Legal Reference:	Local Government Act 2002
Document ID:	440277
Reporting Officer/s & Unit:	Fleur Lincoln, Strategic Planning Lead

### 2.1 Purpose of Report

To obtain a Council resolution to allow food trucks to operate within Emerson Street at the upcoming Summer Street Party on 17 March 2018 in accordance with the Trading in Public Places Bylaw 2014.

### COMMITTEE'S RECOMMENDATION

Councillors Wise / Brosnan

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That Council

- a. Allow mobile food vendors to operate within the public spaces of Emerson Street on the 17<sup>th</sup> March 2018 as part of the Summer Street Party event, and as approved by Council's events team.

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Carried

### 2.2 Background Summary

Napier and the Hawke's Bay region has a number of weekends coming up when it is expected the number of visitors in the CBD will be considerable, due to events, public holidays and cruise ship visits. Two such weekends are the weekend of 3<sup>rd</sup> February 2018 which has two cruise ships in Port, and has a sold out concert at Black Barn Winery; and Saturday 17<sup>th</sup> March 2017, where there will be many visitors in the city as a result of the Horse of the Year event, and the Mission Concert.

To take advantage of this influx of visitors, Napier City Council and the Napier City Business Inc have organised a summer street party in Emerson Street on these two dates. The events will showcase Napier as a fun and exciting city, create a party atmosphere for visitors and locals, and will transform the street into a safe, people-prioritised space. Emerson Street will be closed to traffic on these days, and two entertainment zones are planned for the crowds. Dalton Street, between the intersections of Tennyson and Dickens Streets, will also be closed to allow for unimpeded pedestrian flow along the length of Emerson Street. A Traffic Management Plan will be in place.

At the event to be held on the 17<sup>th</sup> March 2018, the events team are looking to provide food offerings on the street. This option is currently being offered to existing food operators in the city, however if no businesses take up this opportunity, the team will offer this chance to mobile food vendors. The Trading in

Public Places Bylaw 2014 prohibits mobile food vendors in the CBD unless a specific resolution of Council has been obtained.

## **2.3 Issues**

It is possible that existing food operators in the City may disapprove of this proposal. The events team have offered the opportunity to extend existing food operators current service to the street. If none, or too few take up this opportunity then the events team will encourage mobile food vendors into the street.

Large crowds are expected in the City on this day, and this event presents an opportunity for both existing food providers and locally-based mobile vendors to benefit.

## **2.4 Significance and Consultation**

Zoe Barnes, Napier City Business Inc, has circulated information to CBD retailers about the events. The events team have also approached food operators in the CBD about their involvement, and have encouraged retailers to display their wares on the footpath outside their stores. The road closure notice has followed the standard procedures of notification. The events team will carry out a letter drop to offices and apartments on the upper floors of Emerson Street buildings.

Initial feedback from retailers about the event has been mostly positive.

## **2.5 Implications**

### **Financial**

Costs associated with these events will be covered through the City Vision budget and various existing budgets across Council and Napier City Business Inc. The event is not expected to cost a significant amount as the only paid services will relate to entertainment for kids and families.

### **Social & Policy**

The sale of goods in public spaces in the CBD is prohibited under the Trading in Public Places Bylaw 2014. A specific resolution of Council enables this event to be excluded from this Bylaw.

### **Risk**

N/A

## **2.6 Options**

The options available to Council are as follows:

- a. Allow the sale of goods in the public spaces of Emerson Street on the 17<sup>th</sup> March 2018 as part of the summer street party.
- b. Disallow the sale of goods in the public spaces of Emerson Street on the 17<sup>th</sup> March 2018 as part of the summer street party.

## **2.7 Development of Preferred Option**

The resolution of Council to allow the sale of food items within the street on Emerson Street will provide the opportunity to bring in mobile food vendors for this event. The first opportunity to trade on the street will be offered to existing food operators in the city. If this is not taken up, the events team will approach a few local mobile food vendors, which will cover the expected increased demand for food in town on that date.

### **At the Meeting**

In response to questions from Councillors it was clarified that:

- Consultation with retailers in the Emerson Street area was undertaken by the Napier City Business Association on behalf of Council.
- Feedback was primarily positive on the street party.
- Retailers wanted assurances that food trucks offering similar food to them would not be positioned in front of their premises, so positioning was important. They did note that, should the Mission Concert proceed, the food trucks would help relieve pressure on the cafes from the large numbers of people in the city.
- Council staff have worked with the tour operators to provide an alternate route down Dalton Street.

### **2.8 Attachments**

Nil

### 3. TEMPORARY LIQUOR BAN - MISSION CONCERT

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	429442
<i>Reporting Officer/s &amp; Unit:</i>	Hayleigh Brereton, Manager Regulatory Solutions

#### 3.1 Purpose of Report

To consider the formal request from New Zealand Police for a temporary liquor ban on the roads adjacent to the Mission Estate Winery during the 2018 concert.

#### COMMITTEE'S RECOMMENDATION

Councillors McGrath / Brosnan

That Council

- a. Approve, pursuant to section 147 of the Local Government Act 2002 and the Napier City Council Public Places Liquor Control Bylaw 2014, the following areas as a "Specified Public Place" where the consumption, possession and bringing of liquor into is prohibited from 09.00 am to 12.00 midnight on Saturday 17 March 2018.

The area to be designated as a "Specified Public Place" are all those public places, reserves, roads and footpaths on both sides of the road within the area described as:

Church Road	from Wharerangi Road to Kent Terrace
Avenue Road	from Church Road to Avondale Road
Mission Road	from Church Road to Auckland Road
Montpelier Drive	full length
Tironui Drive	full length
Irene Mooney Place	full length
Bishops Close	full length
Pukekura Place	full length
Ennor Place	full length

Carried

#### 3.2 Background Summary

The application is made pursuant to Council's Public Places Liquor Control Bylaw 2014 Clause 4 which states:



*“From time to time additional areas may be designated as a Specified Public Place for particular time periods, related to specified events or times of the year. Where additional areas are so designated, a minimum of 14 days public notice shall be given prior to the event or particular time of years, specifying the additional areas, and the period when the specification applies. Public notices shall also be affixed in or adjacent to the additional specified public place(s) at such times that the liquor control applies.”*

[Extract]

The request is made by Senior Sergeant Ross Smith of New Zealand Police. Police are requesting that a temporary liquor ban is imposed on the roads adjacent to Mission Estate Winery during the 2018 Mission Concert to ensure a safe and friendly experience for all those attending and for the residents within the area.

The liquor ban would encompass all public places, reserves, roads and footpaths on both sides of the road within the area described as:

Church Road	from Wharerangi Road to Kent Terrace
Avenue Road	from Church Road to Avondale Road
Mission Road	from Church Road to Auckland Road
Montpelier Drive	full length
Tironui Drive	full length
Irene Moody Place	full length
Bishops Close	full length
Pukekura Place	full length
Ennor Place	full length

Please refer to the map at Attachment A.

It should be noted that the Council has imposed temporary liquor bans for previous Mission Estate Vineyard concerts. This request is identical to the 2017 Mission Concert Liquor ban.

### 3.3 Issues

The concert hosts approximately 25,000 guests. At previous years events Police have experienced issues with anti-social behaviour on the streets in and around the concert venue. There have been issues with littering of glass bottles and cardboard in the areas.

Liquor bans are enforced by the New Zealand Police. Under sections 169 and 170 of the Local Government Act 2002, police have powers of search, seizure, infringement notice and arrest for the specified times and places that an alcohol ban applies. Council has no role in police response or enforcement of liquor bans.

### 3.4 Significance and Consultation

The Public Places Liquor Control Bylaw 2014 requires public notification at least 14 days before the event. If approved Public notices will be displayed at all major entry points to the designated Specified Public Place and published in the Councils 'Informing Napier' advertisement in the Napier Mail.

### 3.5 Implications

#### Financial

There are some minor costs associated with creating the signage and public notices of approximately \$1000. This will be paid from existing budgets

#### Social & Policy

The liquor ban aligns with the objectives of the recently adopted Joint Alcohol Strategy, particularly Objective 2: Foster Safe and responsible events and environments.

Liquor bans reduce the level of anti-social behaviour and will assist police in ensuring a safe and friendly environment for patrons and residents in the surrounding streets.

#### Risk

If there is no liquor ban in place there is risk of alcohol related harm occurring. There is a risk that the police would not have the enforcement tools available to effectively manage any anti-social behaviour associated with liquor.

### 3.6 Options

The options available to Council are as follows:

- a. A temporary liquor ban for the roads adjacent to the 2018 Mission Estate Concert be approved.
- b. That no liquor ban be in place for the 2018 Mission Estate Concert.

### 3.7 Development of Preferred Option

The preferred option is to support the NZ Police request for the temporary liquor ban of the 2018 Mission Estate Concert.

#### At the Meeting

In response to questions from Councillors it was confirmed that:

- Signage will be up in affected streets advising the public that they are now in a liquor ban area. Rubbish bins can be placed by the signs and in the area so that any bottles and cans are not left on the street.

### 3.8 Attachments

- A Temporary Liquor Ban - Mission Concert 2018 - Map
- B Temporary Liquor Ban - Mission Concert 2018 - Formal Request letter from NZ Police





17<sup>th</sup> November 2017

The Manager Regulatory Solutions.  
Napier City Council  
Private bag 6010  
NAPIER

Attn: Hayleigh BRERETON.

Police would like to formally ask the Napier City Council to support a liquor ban on the 17<sup>th</sup> March 2018 for the Mission Concert. This concert will host 25,000 patrons and will need to be well managed and policed to ensure a safe and friendly experience for all those attending and residents within the area.

At previous Mission concerts of this size police have experienced issues with people side loading on the streets in and around the Mission Estate. This has led to intoxicated persons acting in an anti-social manner, an increase in rubbish such as glass bottles and cardboard associated with alcoholic beverages, and the Napier City Council imposing a liquor ban in the area, as per the attached map. Police will have the capability to enforce this ban and ensure that alcohol related harm is kept to a minimum.

The ban should run from 0900 hrs to 2359 hrs on the 17<sup>th</sup> March 2018.

Church Road	-	from Wharerangi Road to Tironui Drive
Avenue Road	-	from Church Road to Avondale Road
Mission Road	-	from Church Road to Auckland Road
Montpelier Drive	-	full length
Tironui Drive	-	full length
Irene Mooney Place	-	full length
Bishops Close	-	full length
Ennor Place	-	full length

**HAWKES BAY POLICE**  
PO Box 245, NAPIER  
Telephone: 06 8310700





Thank you for your support.

Senior Sergeant R SMITH  
Operations and Event Planning  
Eastern Police District

## 4. HERSCHELL AND BYRON STREET PARKING RECONFIGURATION

Type of Report:	Legal and Operational
Legal Reference:	Traffic Regulations
Document ID:	433679
Reporting Officer/s & Unit:	Hayleigh Brereton, Manager Regulatory Solutions

### 4.1 Purpose of Report

To formalise the Herschell Street off street car parking reconfiguration and the Byron Street on street parking charge resulting from the relocation of the Napier Public Library.

#### Officer's Recommendation

That Council

- Convert the Herschell Street car park from a leased car park to a pay and display car park.
- Convert the on street car parking on Byron Street to pay and display
- Set the tariff for car parking at \$1.00 per hour for both the car park and on street parking.

### 4.2 Background Summary

The library relocation to the MTG is underway and the library is due to open on the 7<sup>th</sup> February 2018. It has been identified that there may not be sufficient parking in the area to cater to the intensified use. Reconfiguration of the Herschell Street carpark provides an opportunity to increase efficiencies and provide additional parking spaces.

### 4.3 Issues

The Herschell Street car park has been a mixed use car park offering both leased spaces and 15 pay and display spaces. The car park is spacious and offers opportunity to improve efficiencies and provide additional car parking spaces.

The northern end of the CBD has limited off street car parking options, Council receives considerable feedback regarding the lack of all-day casual car parking opportunity in this area of the CBD. Additionally the multi-use of the car park as both leased and pay and display creates frustration and confusion for users with a common tendency to park in the 'wrong' area.

There are also 20 on-street car parks on Byron Street that are time limited and currently utilised at no charge. This is inconsistent with the surrounding provision of car parks and mean these spaces are often utilised with very little turnover.

The draft 2017 parking survey found parking levels on Byron Street and within the pay and display levels were averaging over 85% occupancy. This indicates a high demand for parking within this area and at a level well over desirable occupancy. Providing a price incentive for parking in Byron Street should help manage demand for these spaces.

Council has utilised TDG to undertake a layout review of the Herschell Street Car Park. Conceptual drawings have increased the number of car spaces from 57 to 72 (see Attachment A), an increase of 15 spaces. This will result in an overall gain of 37 new pay and display car parking spaces (excluding the existing 15 pay and display) if 22 leased spaces are converted to pay and display. The process for leased car park relocation is underway and we will endeavour to accommodate their needs where possible.

Technical drawings are currently underway. It is likely that the reconfiguration of the car park will take 4 weeks and require the car park to be partially closed while this is undertaken.

When the car park is reopened it is proposed to be a Pay and Display car park apart from 20 leased car parks to the Art Deco Masonic Hotel as the hotel does not have on site car parks. The leased car parks would be well marked with clear signage installed and located in the rear of the car park to reduce confusion.

The use of the car park will change to predominantly all day parking, which will add an additional 37 spaces for the pay and display car park (excluding the existing 15 pay and display).

#### **4.4 Significance and Consultation**

There are a small number of affected parties such as, those individuals who lease carpark spaces from Council in the area, including the Art Deco Masonic Hotel. Efforts are being made to relocate lessees to alternative locations.

We have engaged with the affected parties in the following ways:

- Consultation with the Art Deco Masonic Hotel on the conceptual parking layout. The Hotel have voiced their support and willingness to work with Council on a mutual solution.
- Planned consultation to all lessees on their car parking alternatives, if car park is to be approved. However the option of remaining in this area is not available to any of the lessees other than the Art Deco Masonic Hotel.

#### **4.5 Implications**

##### **Financial**

The costs associated with signage, remarking, installation of pay and display machines etc. are relatively minor and can be accommodated within existing operational budgets.

The reconfiguration of the Herschell Street carpark has budget allocated to it, sourced from revenue that is required to be spent on providing additional CBD parking.

The car park is not proposed to have a reduced rate for all day parkers. In the northern CBD the high demand for parking and the transactional nature of the potential users. It should be noted that this is not unusual and the Lower Tiffin car park operates similarly.

##### **Social & Policy**

The reconfiguration of the site is consistent with the parking occupancy data and the draft parking strategy and will meet anticipated needs for public car parking from the temporary library.

##### **Risk**

The risk associated with this proposal centres around the “do nothing” option. Council has a responsibility to provide adequate parking within the CBD and generates revenue for this specific purpose. The relocation of the library will further increase pressure on the northern CBD and the demand for casual parking from this location will continue to increase. Removing the confusion from the car park and providing additional off street car parking should improve Councils provision of car parking options in this part of the city.

#### **4.6 Options**

The options available to Council are as follows:

- a. Do nothing
- b. Confirm the reconfiguration of the Herschell Street car park and Byron Street to ensure sufficient provision of car parking for the northern CBD.

#### **4.7 Development of Preferred Option**

The preferred option is to reconfirm the reconfiguration of the Herschell Street car park to provide additional spaces and change the primary use to pay and display. Additional work is being completed at the northern waterfront car park to improve efficiencies and create additional all day car parking spaces where possible. This option allows additional casual car parking to be gained in the northern CBD without acquiring additional property.

#### **At the Meeting**

In response to questions from Councillors it was advised that:

- Disability parks have been provided around the Library/ MTG complex. The plan will be reviewed to ensure appropriate numbers of disability parks are included in the wider affected area.
- Council staff have been working closely with the Masonic to ensure there is less confusion between public parking, leased parking and the parking for the hotel.
- Other current parking lessees are being offered other options around the area as these become available.

#### **4.8 Attachments**

- A Conceptual Parking Layout for Herschell Street







## 5. GROUND LEASE - ESKVIEW AND DISTRICTS RUGBY FOOTBALL CLUB INCORPORATED

Type of Report:	Legal
Legal Reference:	Reserves Act 1977
Document ID:	434200
Reporting Officer/s & Unit:	Bryan Faulknor, Manager Property Jenny Martin, Property and Facilities Officer

### 5.1 Purpose of Report

To obtain Council approval to grant a new ground lease to the Eskview and Districts Rugby Football Club Incorporated for the land occupied by the Club's building on Petane War Memorial Domain for a term of 15 years with one 15 year right of renewal.

### COMMITTEE'S RECOMMENDATION

Councillors Taylor / White

That Council:

- a. Approve a new ground lease be granted to the Eskview and Districts Rugby Football Club Incorporated for the land occupied by the Club's building on Petane War Memorial Domain for a term of 15 years with one 15 year right of renewal.
- b. Approve that the terms and conditions of the lease will be as per Council's standard terms and conditions for leases of Reserve land to community groups. The initial ground rental will be a nominal rental of \$200.00 plus GST per annum, reviewed annually according to the method laid out in the standard terms described above.

Carried

### 5.2 Background Summary

Council is the owner of an area of land known as Petane War Memorial Domain which is vested in the Council pursuant to the Reserves Act 1977.

Under the Act, Council, acting under delegated authority from the Minister of Conservation can and does, enter into leases with community groups to occupy areas of Reserve land.

The Eskview and Districts Rugby Football Club Incorporated is an incumbent tenant of the Petane War Memorial Domain. The Club has been a tenant of the land for a number of years. The previous ground lease has expired and a new lease needs to be entered into to provide certainty and clarity for both the Council and the Club.

The lease area is shown on the attached plan outlined in orange.

The terms and conditions of the proposed lease are as per Council's standard terms for leases of Reserve land to community groups. The ground rental is calculated according to the method by which Council sets all its rentals for community organisations on Reserve land and is reviewed annually.

### **5.3 Issues**

There are no issues.

### **5.4 Significance and Consultation**

This matter is operational and business as usual and does not require community engagement.

### **5.5 Implications**

#### **Financial**

There are no significant financial implications to the proposed new lease.

#### **Social & Policy**

Not applicable.

#### **Risk**

Not applicable.

### **5.6 Options**

The options available to Council are as follows:

- a. (Preferred option): To enter into a new ground lease with the Eskview and Districts Rugby Football Club Incorporated for a term of 15 years with one 15 year right of renewal.
- b. To not enter into a new lease with the Eskview and Districts Rugby Football Club Incorporated and instead manage the tenancy under the terms of the Property Law Act on a month by month basis.

### **5.7 Development of Preferred Option**

Option (a) is the preferred option as it provides greater certainty for the Eskview and Districts Rugby Football Club Incorporated.

#### **At the Meeting**

There was no discussion on this item.

### **5.8 Attachments**

- A Eskview & Districts Rugby Football Club Inc





## 6. 15 CRAVEN TERRACE, LAND LEGALISATION - LAND TO BE DECLARED ROAD

Type of Report:	Legal
Legal Reference:	Public Works Act 1981
Document ID:	434199
Reporting Officer/s & Unit:	Bryan Faulknor, Manager Property Jenny Martin, Property and Facilities Officer

### 6.1 Purpose of Report

To seek Council's approval pursuant to Section 114 of the Public Works Act 1981 that the land in question be declared road.

### COMMITTEE'S RECOMMENDATION

Mayor Dalton / Councillor Wright

That Council

- a. Declare that, pursuant to Section 114 of the Public Works Act 1981, the land in the schedule below to be road.

#### SCHEDULE

#### Hawke's Bay Land District – Napier City

Area	Legal Description	Part of Certificate of Title
0.0068 ha	Section 1 SO Plan 518661	HB E4/507

Carried

### 6.2 Background Summary

In mid-2017 it was revealed that an historical anomaly exists at the rear of 15 Craven Terrace in that some of the formed road falls within the legal boundary of that property. The owner of the property has agreed that Council remedy the situation by redefining the boundaries to reflect the current physical situation.

### 6.3 Issues

To legalise the situation Council is required to purchase that piece of land which encroaches onto the formed road and vest it as road.

### 6.4 Significance and Consultation

The property owner has been consulted.

### 6.5 Implications

#### Financial

Funding for the compensation and land legalisation is to be provided from existing roading budgets.

### **Social & Policy**

Not applicable.

### **Risk**

Not applicable.

## **6.6 Options**

The options available to Council are as follows:

- a. (Preferred option): That Council approve the resolution required under the Public Works Act to enable matters to be finalised.
- b. That Council decline the proposed land legalisation.

## **6.7 Development of Preferred Option**

As the road encroaches on privately owned land it is only fair that the owner be compensated and that the legal boundaries are redefined.

### **At the Meeting**

In response to questions from councillors it was confirmed that:

- The land was independently assessed and valued; market rates were used in the transaction.

## **6.8 Attachments**

- A Craven Terrace aerial plan
- B Craven Terrace SO Plan





Scale: 1:371  
Original Sheet Size A4  
Print Date: 18/09/2017

Digital map data sourced from Land Information New Zealand. CROWN COPYRIGHT RESERVED. The information displayed in the GIS has been taken from Napier City Council's databases and maps. It is made available in good faith but its accuracy or completeness is not guaranteed. If the information is relied on in support of a resource consent it should be verified independently.



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# Title Plan - SO 518661

**Survey Number** SO 518661  
**Surveyor Reference** 4490 NCC - 15 Craven Terrace  
**Surveyor** Guy Derek Panckhurst  
**Survey Firm** Surveying The Bay Ltd (Hastings)  
**Surveyor Declaration**

## Survey Details

**Dataset Description** LAND TO BE ACQUIRED FOR ROAD  
**Status** Initiated  
**Land District** Hawkes Bay  
**Survey Class** Class A  
**Submitted Date**  
**Survey Approval Date**  
**Deposit Date**

## Territorial Authorities

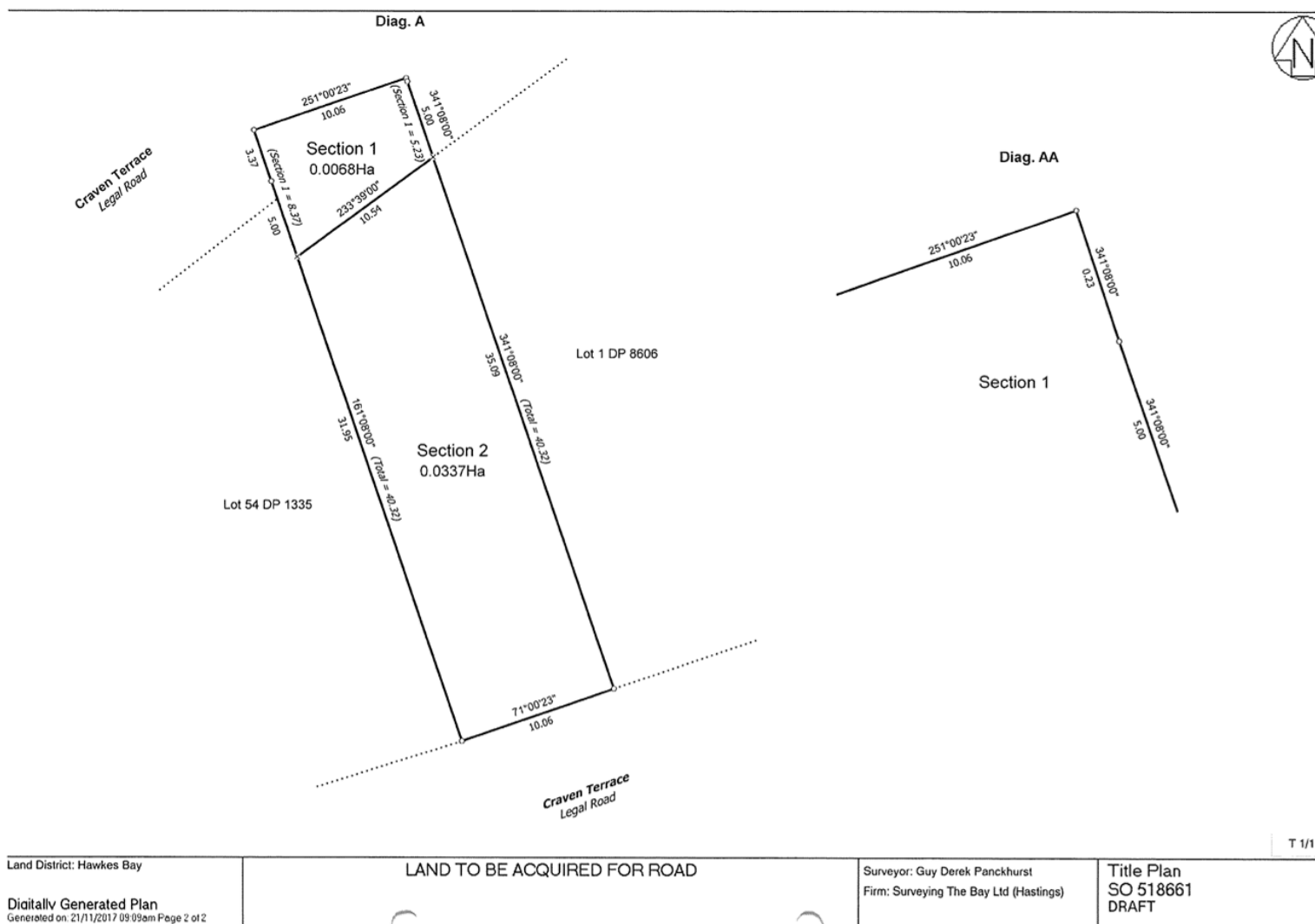
Napier City

## Comprised In

CT HBE4/507

## Created Parcels

Parcels	Parcel Intent	Area	CT Reference
Section 1 Survey Office Plan 518661	Legalisation	0.0068 Ha	
Section 2 Survey Office Plan 518661	Legalisation	0.0337 Ha	
<b>Total Area</b>		<b>0.0405 Ha</b>	



## 7. JOINT COUNCIL WASTE FUTURES PROJECT STEERING COMMITTEE - MINUTES - 23 NOVEMBER 2017

Type of Report:	Procedural
Legal Reference:	Local Government Act 2002
Document ID:	430450
Reporting Officer/s & Unit:	Deborah Smith, Governance Advisor

### 7.1 Purpose of Report

To present to Council the draft Minutes of the Joint Council Waste Futures Project Steering Committee from 23 November 2017.

### COMMITTEE'S RECOMMENDATION

Councillors Brosnan / Tapine

That Council

- a. Receive the draft Minutes of the Joint Council Waste Futures Project Steering Committee from 23 November 2017.

Carried

### 7.2 Background Summary

The Joint Council Waste Futures Project Steering Committee met on 23 November 2017; the minutes are shown at **Attachment A**.

### 7.3 Issues

No issues

### 7.4 Significance and Consultation

N/A

### 7.5 Implications

#### Financial

N/A

#### Social & Policy

N/A

#### Risk

N/A

## **7.6 Options**

To receive the minutes dated 23 November 2017.

## **7.7 Development of Preferred Option**

N/A

### **At the Meeting**

In response to questions from Councillors it was confirmed that:

- The consultation document uses a large number of illustrations to ensure a wide understanding of the questions as possible. The wording will also be reviewed to ensure it is as simple and easy to understand as possible for those whose primary language is not English and so on.

Cr Brosnan advised that a meeting with private waste operators has been scheduled for 22 February 2018 to discuss the strategy and receive their feedback.

## **7.8 Attachments**

A Joint Council Waste Futures Project Steering Committee - Minutes - 23 November 2017





*Hastings District Council*  
[www.hastingsdc.govt.nz](http://www.hastingsdc.govt.nz)



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*

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# MINUTES

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## JOINT COUNCIL WASTE FUTURES PROJECT STEERING COMMITTEE

Meeting Date: **Thursday, 23 November 2017**

**Minutes of a Meeting of the Joint Council Waste Futures Project Steering  
Committee held on Thursday, 23 November 2017**

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## HASTINGS DISTRICT COUNCIL

### MINUTES OF A MEETING OF THE JOINT COUNCIL WASTE FUTURES PROJECT STEERING COMMITTEE HELD IN THE COUNCIL CHAMBER, GROUND FLOOR, CIVIC ADMINISTRATION BUILDING, LYNDON ROAD EAST, HASTINGS ON THURSDAY, 23 NOVEMBER 2017 AT 9.30AM

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**PRESENT:** Chair: Councillor Kerr  
Councillors Heaps and Lyons (HDC)  
Councillors Brosnan (Deputy Chair), Dallimore and Tapine (NCC)

**IN ATTENDANCE:** Waste and Date Services Manager (Mr M Jarvis) (HDC)  
Group Manager: Asset Management (Mr C Thew) (HDC)  
Waste Minimisation Officer (Mrs A Atkins) (HDC)  
Waste Minimisation Planner (Ms H Ludlow) (HDC)  
Solid Waste Engineer (Mr P Doolan) (HDC)  
Waste Minimisation Lead (Mr R van Veldhuizen) (NCC)  
Student Interns – (Ms S Hosford and Ms F Adcock)  
Committee Secretary (Mrs C Hilton)

#### 1. APOLOGIES

There were no apologies.

#### 2. CONFLICTS OF INTEREST

There were no declarations of conflicts of interest.

#### 3. GENERAL BUSINESS ITEMS

There were no General Business items.

#### 4. CONFIRMATION OF MINUTES

Councillor Kerr/Councillor Lyons

That the minutes of the Joint Council Waste Futures Project Steering Committee held Thursday 14 September 2017, including the minutes of the meeting held when the Public was Excluded, be confirmed as a true and correct record and be adopted.

**CARRIED**

#### 5. ADOPTION OF DRAFT JOINT WASTE MANAGEMENT AND MINIMISATION PLAN 2018 - 2024

(Document 17/1155)

A copy of the Draft Joint Waste Management and Minimisation Plan 2018-2024 (Draft Joint WMMP) was circulated and addressed at the meeting. A copy of an independent peer review, by Morrison Low, of the draft plan was also circulated (Document: PRJ17-113-0023).

Officers noted the key findings of the review undertaken by Morrison Low.

The meeting then went through the Draft Joint WMMP in detail, page by page. Extensive discussion took place, with the Steering Committee considering the wording and the most appropriate presentation of the options and background information by way of statements and/or graphics in the document.

The meeting adjourned for morning tea at 10.48am  
and resumed at 11.10am

The meeting continued its consideration of the Draft Joint WMMP document.

*Councillor Kerr (Chair) left the meeting at 11.59am.*

*Councillor Brosnan (Deputy Chair) assumed the Chair.*

The meeting continued addressing the Draft Joint WMMP and the agenda report, including the proposed key action points and key dates for consultation and adoption of the Joint WMMP.

It was agreed that the Draft Joint WMMP would be released for public consultation on 19 February (with public notice being given on that date) until 23 March 2018; with Submissions being addressed at a hearing on 12 April 2018. The aim was to keep this process separate from the Council's Long Term Plan (LTP) process.

The meeting noted that Officers had completed a robust process in the preparation of the Draft Joint WMMP.

It was also noted that key points needed to be included in a Statement of Proposal. Officers were asked to circulate this document, via email, addressing how consultation would be undertaken (identifying as many tools as possible for use during the consultation process) and advising if another meeting would be needed. The amended Draft Joint WMMP document, incorporating changes discussed at this meeting, would also be circulated to members of the Steering Committee - with members' feedback being sought in regard to both documents.

Councillor Lyons/Councillor Heaps

- A) That the report of the Waste Minimisation Officer titled "Adoption of Draft Joint Waste Management and Minimisation Plan 2018 - 2024 " dated 23/11/2017 be received.**
- B) That the Committee recommend that the Hastings District Council and the Napier City Council adopt for consultation the draft Joint Waste Management and Minimisation Plan 2018 - 2024, incorporating any amendments made at its meeting of 23 November 2017.**
- C) That the Committee recommend that the Hastings District Council and the Napier City Council adopt the statement of proposal for consultation.**



With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure and local public services in a way that is most cost-effective for households and business by:

- i) Providing fit for purpose solid waste services and facilities.

**CARRIED**

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The meeting closed at 12.30pm

Confirmed:

Chairman:

Date:

# MĀORI CONSULTATIVE COMMITTEE

## Open Minutes

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Meeting Date: Wednesday 13 December 2017

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Time: 3pm - 3.29pm

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Venue Small Exhibition Hall  
Napier Conference Centre  
Marine Parade  
Napier

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Present: Piri Prentice (In the Chair), Councillor Apiata Tapine, Liz Ratima,  
Tiwana Aranui, Mayor Bill Dalton

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In Attendance: Chief Executive, Director Community Services, Strategic Māori  
Advisor, Manager Community Strategies

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Administrator Governance Team

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### Karakia

A karakia was delivered by the Chair and responded to by Tiwana Aranui.

### Apologies

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#### APOLOGIES

Mayor Bill Dalton / Tiwana Aranui

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That the apologies from George Reti be accepted.

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Carried

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### Conflicts of interest

Nil

### Public forum

Nil

### Announcements by the Chairperson

Nil

## Announcements by Management

Nil

## Confirmation of minutes

Mayor Bill Dalton / Tiwana Aranui

That the Minutes of the meeting held on 1 November 2017 were taken as a true and accurate record of the meeting.

Carried

# NEW ITEMS FOR MĀORI CONSULTATIVE COMMITTEE

## 1. UPDATE ON REVIEW OF MĀORI CONSULTATIVE COMMITTEE

*Type of Report:* Enter Significance of Report

*Legal Reference:* Local Government Act 2002

*Document ID:* 428400

*Reporting Officer/s & Unit:* Jane McLoughlin, Team Leader Governance

### 1.1 Purpose of Report

To update the Committee on progress made of the review of the Māori Consultative Committee which has occurred since the last meeting.

#### At the Meeting

The Strategic Māori Advisor spoke to the report noting that this is progressing well. The next step is to meet with the Mayor and Chief Executive to discuss the recommendation.

The Mayor requested that this matter be treated with urgency in the new year to have this framework in place as soon as possible.

#### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Tiwana Aranui / Liz Ratima

That the Committee:

- a. Receive the verbal updated provided by the Strategic Māori Advisor on the review of the Māori Consultative Committee.

Carried

# REPORTS FROM STANDING COMMITTEES

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## MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Tiwana Aranui / Liz Ratima

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That the Māori Consultative Recommendations arising from the discussion of the Committee reports be submitted to the Council meeting for consideration.

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Carried

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## REPORTS FROM STRATEGY AND INFRASTRUCTURE COMMITTEE HELD 22 NOVEMBER 2017

### 1. HAWKE'S BAY DRINKING WATER JOINT COMMITTEE TERMS OF REFERENCE

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*Type of Report:* Operational and Procedural

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*Legal Reference:* Local Government Act 2002

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*Document ID:* 416006

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*Reporting Officer/s & Unit:* Deborah Smith, Governance Advisor

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#### 1.1 Purpose of Report

To present to Council the minutes of the inaugural meeting of the Hawke's Bay Drinking Water Joint Committee and the ensuing Terms of Reference for adoption.

#### At the Māori Consultative Committee meeting

The Mayor spoke to the report and advised that the likely result from the Havelock North Drinking Water Inquiry is that councils will be required to chlorinate drinking water. There will be push back from councils but the end result is likely to be chlorination. It was noted that Napier's chlorination levels are much lower than other cities such as Auckland.

## MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Liz Ratima / Councillor Tapine

---

That the Council resolve that the Committee's recommendation be adopted.

---

Carried

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Committee's recommendation

Chairperson Price / Councillor Wise

---

That Council

- a. Receive the minutes of the inaugural meeting of the Hawke's Bay Drinking Water Joint Committee, held on 24 October 2017.
- b. Adopt the Terms of Reference for the Hawke's Bay Drinking Water Joint Committee.
- c. Agree the Mayor will be appointed as an alternate representative for Napier City Council on the Hawke's Bay Drinking Water Joint Committee.

---

Carried

## REPORTS FROM REGULATORY COMMITTEE HELD 22 NOVEMBER 2017

### 1. ADOPTION AND NOTIFICATION OF PLAN CHANGE 11 - PARK ISLAND RECONFIGURATION

<i>Type of Report:</i>	<i>Operational and Procedural</i>
<i>Legal Reference:</i>	<i>Resource Management Act 1991</i>
<i>Document ID:</i>	<i>399787</i>
<i>Reporting Officer/s &amp; Unit:</i>	<i>Dean Moriarity, Team Leader Policy Planning</i>

#### 1.1 Purpose of Report

The purpose of this report is for Council to adopt Plan Change 11 - Park Island Reconfiguration, its accompanying Section 32 report and authorise officers to publicly notify the change for public submissions. This plan change is to give effect to the newly adopted Park Island Master Plan (May 2017).

#### At the Māori Consultative Committee meeting

There was no discussion on this item.

---

### DECISION OF COUNCIL

Councillors White / Brosnan

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That, in terms of Section 82 (3) of the Local Government Act 2002, that the principles set out in that section have been observed in such manner that the Napier City Council considers, in its discretion, is appropriate to make decisions on the recommendation.

---

Carried

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Council Resolution Councillors Wright / Taylor

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- a. That the Council resolve:
- b. That Council adopt Plan Change 11, its accompanying Section 32 report and authorise officers to publicly notify the change for public submissions.
- c. That the closing date for submissions be an extended period no less than 1.5x the statutory minimum of 20 working days after the date of public notification (to recognise and provide for the holiday period).

---

Carried

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## **2. TEMPORARY LIQUOR BAN - CHRISTMAS IN THE PARK**

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*Type of Report:* Legal and Operational

*Legal Reference:* Local Government Act 2002

*Document ID:* 400881

*Reporting Officer/s & Unit:* Hayleigh Brereton, Manager Regulatory Solutions

### **2.1 Purpose of Report**

To consider the request from the New Zealand Police for a temporary liquor ban at Anderson Park and the surrounding roads during 2017 Christmas in the Park event.

#### **At the Māori Consultative Committee meeting**

There was no discussion on this item.

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### **DECISION OF COUNCIL**

Mayor Dalton / Councillor Price

---

That, in terms of Section 82 (3) of the Local Government Act 2002, that the principles set out in that section have been observed in such manner that the Napier City Council considers, in its discretion, is appropriate to make decisions on the recommendation.

Carried

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Council Resolution Councillors Hague / Wise

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- a. That pursuant to section 147 of the Local Government Act 2002 and the Napier City Council Public Places Liquor Control Bylaw 2014.
-

Council approve the following areas as a “Specified Public Place” where consumption, possession and bringing of alcohol into is prohibited from 1200 hours on the 9<sup>th</sup> December 2017 to 2359 hours on the 9<sup>th</sup> December 2017.

- b. That the following areas be designated as “Specified Public Place” are all those public, places, reserves, roads and footpaths on both sides of the road within the area described as;
- Auckland Road *from Lannie Place to York Avenue*
  - Freyberg Avenue *from York Avenue to Islington Place*
  - Islington Place *full length*
  - Kennedy Road *from Auckland Road to Taradale Road and 424 Kennedy Road*
  - Taradale Road *from Kennedy Road to adjacent to the boundary of 362 & 360 Taradale Road*
  - York Avenue *from Auckland Road to Freyberg Avenue*

Carried

## REPORTS FROM FINANCE COMMITTEE HELD 6 DECEMBER 2017

### 1. REVALUATION OF NAPIER CITY 2017

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	Local Government (Rating) Act 2002
<i>Document ID:</i>	415248
<i>Reporting Officer/s &amp; Unit:</i>	Ian Condon, Revenue and Treasury Manager

#### 1.1 Purpose of Report

Quotable Value NZ (QV), Council’s contractor for rating valuation services, will make a presentation to Council on the triennial revaluation of Napier City recently undertaken.

#### At the Māori Consultative Committee meeting

The Chief Executive clarified that the rating revaluation occurs every 3 years and does not necessarily result in rates increases. Any rates increases come from a Decision of Council as part of the Long Term Plan process.

#### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Liz Ratima / Tiwana Aranui

That the Council resolve that the Committee's recommendation be adopted.

---

Carried

Committee's recommendation

---

Councillors Hague / Brosnan

That Council

- a. Receive the presentation.

---

Carried

## 2. SETTING GENERAL RATES - OVERVIEW

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*Type of Report:* Legal

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*Legal Reference:* Local Government (Rating) Act 2002

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*Document ID:* 412497

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*Reporting Officer/s & Unit:* Ian Condon, Revenue and Treasury Manager

### 2.1 Purpose of Report

To provide background information on the underlying basis and process for applying general rate differentials. The information will enable a better understanding of the purpose of other rating related items on the agenda, and how each relates to the rate setting process.

#### At the Māori Consultative Committee meeting

There was no discussion on this item.

#### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

---

Liz Ratima / Tiwana Aranui

That the Council resolve that the Committee's recommendation be adopted.

---

Carried

Committee's recommendation

---

Councillors Wright / Price

That Council

- a. Receive the report titled *Setting General Rates – Overview*.

---

Carried



### 3. RATING - 2017 REVALUATION OF NAPIER CITY

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	Local Government (Rating) Act 2002
<i>Document ID:</i>	412911
<i>Reporting Officer/s &amp; Unit:</i>	Ian Condon, Revenue and Treasury Manager

#### 3.1 Purpose of Report

To summarise the changes in rateable value resulting from the triennial revaluation of Napier City in 2017, and to outline the rating effect of the revaluation on broad property categories, and on a range of selected residential, commercial and industrial properties.

#### At the Māori Consultative Committee meeting

There was no discussion on this item.

#### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Liz Ratima / Tiwana Aranui

That the Council resolve that the Committee's recommendation be adopted.

Carried

Committee's recommendation

Councillors Wright / White

That Council

- a. Receive the report titled *Rating – 2017 Revaluation of Napier City*.

Carried

### 4. ALLOCATION OF GENERAL RATE-FUNDED COSTS

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	Local Government (Rating) Act 2002
<i>Document ID:</i>	412969
<i>Reporting Officer/s &amp; Unit:</i>	Ian Condon, Revenue and Treasury Manager

#### 4.1 Purpose of Report

To review the allocation of general rate-funded costs between residential and non residential properties as part of the process of establishing the differential to apply to general rates following the 2017 revaluation of Napier City.

##### At the Māori Consultative Committee meeting

There was no discussion on this item.

#### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Liz Ratima / Tiwana Aranui

---

That the Council resolve that the Committee's recommendation be adopted.

---

Carried

Committee's recommendation

Councillors White / Taylor

---

That Council

- a. Approve the allocation of general rate funded costs on the basis of 70% residential / 30% non-residential, to apply from 1 July 2018.

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Carried

## 5. COST OF COUNCIL SERVICES SUPPLIED TO BAYVIEW

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*Type of Report:* Procedural

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*Legal Reference:* Local Government (Rating) Act 2002

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*Document ID:* 414420

---

*Reporting Officer/s & Unit:* Ian Condon, Revenue and Treasury Manager

#### 5.1 Purpose of Report

To review the assessed cost of general rates funded services provided to Bay View as part of the process of establishing the differential to apply to general rates following the 2017 revaluation of Napier City.

##### At the Māori Consultative Committee meeting

There was no discussion on this item.

## **MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION**

Liz Ratima / Tiwana Aranui

That the Council resolve that the Committee's recommendation be adopted.

Carried

Committee's recommendation

Councillors Brosnan / Tapine

That Council

- a. Approve that the differential applying to the Bay View Rating Area be adjusted for 2018/19 to enable the assessed cost of supplying general rate funded services to Bay View properties be fully recovered collectively from these properties.

Carried

## **6. COST OF COUNCIL SERVICES SUPPLIED TO RURAL PROPERTIES**

*Type of Report:* Procedural

*Legal Reference:* Local Government (Rating) Act 2002

*Document ID:* 414427

*Reporting Officer/s & Unit:* Ian Condon, Revenue and Treasury Manager

### **6.1 Purpose of Report**

To review the assessed cost of general rates funded services provided to rural properties as part of the process of establishing the differential to apply to general rates following the 2017 revaluation of Napier City.

#### **At the Māori Consultative Committee meeting**

There was no discussion on this item.

## **MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION**

Liz Ratima / Tiwana Aranui

That the Council resolve that the Committee's recommendation be adopted.

Carried

Committee's recommendation

Councillors Wright / White

That Council

- a. Approve that the differentials applying to rural properties be adjusted for 2018/19 to enable the assessed costs of supplying general rate funded services to rural property to be recovered collectively from these properties.

---

Carried

## 7. REPRESENTATION REVIEW: ENGAGEMENT UPDATE

---

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	406865
<i>Reporting Officer/s &amp; Unit:</i>	Jane McLoughlin, Team Leader Governance

### 7.1 Purpose of Report

To provide an update on the Representation Review project, data-gathering and pre-consultation phase.

#### At the Māori Consultative Committee meeting

There was no discussion on this item.

### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Liz Ratima / Tiwana Aranui

---

That the Council resolve that the Committee's recommendation be adopted.

---

Carried

Committee's recommendation

Councillors Boag / Hague

---

That Council:

- a. Receive the report titled 'Napier City Council Representation Review Survey' prepared by SIL Research.
- b. Note the summary report from Officers on the engagement undertaken during the pre-consultation phase of the Representation Review project.
- c. Note that Officers will next report to Council early next year once modelling options have been prepared for consideration.

---

Carried



## 8. QUARTERLY REPORT FOR SEPTEMBER 2017

<i>Type of Report:</i>	<i>Procedural</i>
<i>Legal Reference:</i>	<i>Local Government Act 2002</i>
<i>Document ID:</i>	<i>423027</i>
<i>Reporting Officer/s &amp; Unit:</i>	Caroline Thomson, Chief Financial Officer

### 8.1 Purpose of Report

To consider the Quarterly Report on performance by Activity Group for the period 1 July 2017 to 30 September 2017.

#### At the Māori Consultative Committee meeting

There was no discussion on this item.

#### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Liz Ratima / Tiwana Aranui

That the Council resolve that the Committee's recommendation be adopted.

Carried

Committee's recommendation

Councillors Wise / Boag

That the Committee

- a. Receive the Quarterly Report for the period 1 July 2017 to 30 September 2017.

Carried

## 9. SIGNIFICANCE AND ENGAGEMENT POLICY

<i>Type of Report:</i>	Legal
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	426034
<i>Reporting Officer/s &amp; Unit:</i>	Adele Henderson, Director Corporate Services Natasha Carswell, Manager Community Strategies

## 9.1 Purpose of Report

- 1.1. The Local Government Act 2002, Section 76AA requires every local authority to adopt a policy setting out how the local authorities determine significance of proposals and decisions in relation to issues, assets and other matters. The policy determines how the criteria or procedure are applied and how the community engagement and/or consultation will be carried out.

### At the Māori Consultative Committee meeting

There was no discussion on this item.

### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Liz Ratima / Tiwana Aranui

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That the Council resolve that the Committee's recommendation be adopted.

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Carried

Committee's recommendation

Councillors Brosnan / Wright

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That Council:

- a. approve and adopt the Significance and Engagement Policy as attached.
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Carried

Councillor Tapine against

## REPORTS FROM COMMUNITY SERVICES COMMITTEE HELD 6 DECEMBER 2017

### 1. HOURS OF OPERATION - MTG HAWKE'S BAY AND NAPIER LIBRARIES

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*Type of Report:* Operational and Procedural

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*Legal Reference:* Local Government Act 2002

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*Document ID:* 420487

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*Reporting Officer/s & Unit:* Sally Jackson, Manager Visitor Experience

#### 1.1 Purpose of Report

To review the MTG Hawke's Bay and the Napier Libraries hours of operation to better meet the needs of the community during the temporary co-location of the two facilities.

### At the Māori Consultative Committee meeting

There was no discussion on this item.

## **MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION**

Tiwana Aranui / Liz Ratima

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That the Council resolve that the Committee's recommendation be adopted.

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Carried

Committee's recommendation

Councillors Hague / Boag

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That Council:

- a. Approve that commencing 7 February 2018, the MTG Hawke's Bay and Napier City Library and the Taradale Library change its hours of operation to be open to the general public as follows:
    - The MTG Hawke's Bay and temporary Napier City Library open Monday to Sunday 9.30am – 5.00pm, and
    - The Taradale Library open Monday to Friday 9.30am – 5.30pm and Saturday & Sunday from 10.00am – 4pm.
  - b. Approve that the hours of operation for both the MTG Hawke's Bay and the Napier Libraries are reviewed at the end of the temporary co-location period.
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Carried

## **2. LIBRARY FEES AND CHARGES**

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*Type of Report:* Operational and Procedural

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*Legal Reference:* N/A

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*Document ID:* 421204

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*Reporting Officer/s & Unit:* Antoinette Campbell, Director Community Services

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### **2.1 Purpose of Report**

To seek approval to remove the Reservations Fees in place for the Napier Libraries.

### **At the Māori Consultative Committee meeting**

There was no discussion on this item.

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## **DECISION OF COUNCIL**

Councillors Wright / Wise

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That, in terms of Section 82 (3) of the Local Government Act 2002, that the principles set out in that section have been observed in such manner that the Napier City Council considers, in its discretion, is appropriate to make decisions on the recommendation.

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Carried

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Council Resolution Councillors Taylor / Hague

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That Council:

- a) Approve that the Reservations Fees be removed from the Napier City Council Fees and Charges schedule effective immediately;
- b) Review the removal of this fee at the end of the temporary transition period.

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Carried

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### 3. JOINT ALCOHOL STRATEGY REVIEW

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 422034

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*Reporting Officer/s & Unit:* Michele Grigg, Senior Advisor Policy

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#### 3.1 Purpose of Report

To update Council on the feedback process for the revised Joint Alcohol Strategy, and to request adoption of the revised Strategy.

#### At the Māori Consultative Committee meeting

There was no discussion on this item.

#### MĀORI CONSULTATIVE COMMITTEE'S RECOMMENDATION

Tiwana Aranui / Liz Ratima

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That the Council resolve that the Committee's recommendation be adopted.

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Carried

Committee's recommendation

Councillors Price / White

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- a. That Council adopts the revised Joint Alcohol Strategy 2017.



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Carried

## GENERAL BUSINESS

1. The Manager Community Strategies confirmed that she will advise Housing NZ about the furniture presently dumped on a Geddis Avenue property.
2. The Mayor advised the committee that council staff will be relocating to their new offices this week.
3. The Strategic Māori Advisor updated the committee on the possible sainthood of Suzanne Aubert. She was based here for 12 years, and in Pakipaki for 2 of those years – she is being recognised for her work healing Māori people. The formal process has begun and should she be recognised as a saint there may be a visit by the Pope to Hawke's Bay and Pakipaki in the next 2 years.
4. Following questions by the committee the Chief Executive advised Napier City Council will go out for consultation on the long term plan in the first half of next year.

The Chair asked Cllr Apiata Tapine to close the meeting.

*The meeting was closed at 3.29pm.*