

# STATEMENT OF INTENT

## DEVELOPMENT AUCKLAND

For the period 1 September 2015 to 30 June 2018

**27 August 2015**

# HE MIHI

Tēnā koutou ngā mana whenua me ngā iwi e noho nei ki raro i ngā maunga whakahii o Tāmaki Makaurau, tēnā koutou kātoa. Ki ngā tāngata nei e mahi ana kia tū a Tāmaki Makaurau hei tāone te pai me te whai rawa atu o te ao. Me mahi tahi nei tātou kia tūtuki ērā wawata mō te oranga o ngā iwi kātoa o te wāhi nei.

“To the people of the land and those residing under the sacred volcanic mountains of Auckland, greetings to you all. To all of you who are working hard to make Auckland the most liveable city in the world, we greet you. Let us all work together to fulfil our dreams so that we may all prosper in this beautiful city”.

*He Mihi – Taken from ACPL SOI as applies across region rather than just waterfront. A new Mihi could be recommended by Manawhenua Forum once DA established.*

## **Chairman and Interim CE's Foreword**

This is the first Statement of Intent for Development Auckland.

Catalysing urban redevelopment at scale including housing and capturing value from assets are our strategic foci.

The focus for the first year will be bedding in new organisation, bringing the Board and Executive up to speed on the business, including the accountability framework, the key relationships and priorities for the first three years. The aim is to ensure the newly established organisation is performing well with key processes, systems and people in place.

The second focus is to maintain the momentum on key projects including the development of Wynyard Quarter at the waterfront, City Centre Strategic Projects, Ormiston Town Centre, Papatoetoe Town Centre, Hobsonville and Tamaki Redevelopment.

The third focus is the confirmation of new projects for Development Auckland from the shortlist provided by Auckland Council. This process will, in conjunction with Auckland Council, involve high level due diligence, strategic options analysis, a range of investigative and feasibility work and engagement in order to prepare business cases to present to Auckland Council for funding.

A number of strategic initiatives are outlined in the SOI. The first year work programme includes ensuring the organisation has the tools that it requires, i.e. some ongoing process review and changes with Auckland Council, securing appropriate accommodation for the longer term, supporting staff in their new roles, etc. This includes the establishment of some new processes such as strategic portfolio analysis.

Development Auckland is committed to working closely with Auckland Council and other CCOs to increase our collective response to dealing with the demands of our rapidly growing city.

The objective as we work through the transition and achieve established operations is to maintain a focussed, proactive, flexible and outcome-oriented culture and developing an organisation with the Board, Executive and staff that makes a significant contribution to achieving the outcomes sought in the Auckland Plan and LTP.

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## 1. PURPOSE OF STATEMENT OF INTENT

In accordance with the Local Government Act 2002, this annual Statement of Intent (SOI) publicly states the activities and intentions of **Development Auckland** for the next three years, and the objectives that those activities will contribute to. This draft SOI has had shareholder input and includes performance measures and targets as the basis of organisational accountability.

This draft SOI is largely an amalgam of the SOI's of the legacy organizations, Auckland Council Property Limited and Waterfront Auckland. However it is presented in a way to clearly signal the purpose, intent, activities and focus of the new organization.

This draft SOI is recommended to the Development Auckland Board for adoption on establishment, acknowledging that work on the SOI 2016-2019 will begin towards the end of 2015.

## 2. ABOUT DEVELOPMENT AUCKLAND

Development Auckland (DA) is a Council Controlled Organisation of Auckland Council, established on 1 September 2015. It is the result of a merger of two CCOs Waterfront Auckland and Auckland Council Property Limited.

DA is charged with leading urban redevelopment activities on behalf of the Council in key locations and in doing so significantly contributing to outcomes contained in the Auckland Plan.

Development Auckland will not build residential and/or commercial space in town centres on its own, but will facilitate and partner with the private sector to build. It will not undertake any construction, marketing or sales activity in its own right.

Development Auckland's range of activities covers four broad areas:

1. Redevelopment of urban locations and council owned land within the rural urban boundary
2. Redevelopment of council non-service property and where appropriate, review of council service property
3. Management of council non-service property and a range of other council owned commercial assets
4. Other property related services such as property advice, acquisitions and disposals

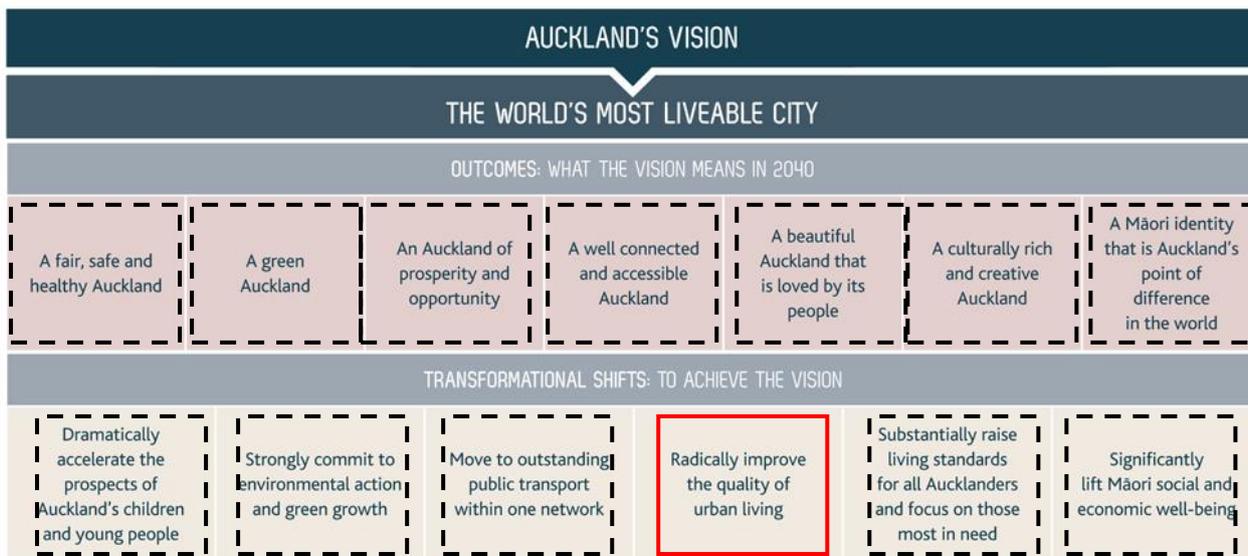
DA is charged with balancing commercial and strategic outcomes in order to create sustainable and resilient places where people want to live, work, invest, learn, and visit.

## 3. CONTRIBUTION TO THE WORLD'S MOST LIVEABLE CITY

The Auckland Plan is the roadmap to deliver on Auckland's vision to be the most liveable city. This is a thirty year plan that is under pinned by a set of outcomes and transformational shifts to achieve this vision which help ensure we focus on the right things.

Auckland Plan sets the strategic direction and transformational shifts to achieve actions, targets and outcomes that are required to achieve the vision to be the world’s most liveable city. Development Auckland plays a critical part in delivering on actions and targets across the Auckland Plan.

In particular, Development Auckland will play a significant role in the transformational shift to **“Radically improve the quality of urban living”** And in doing this, DA will contribute to all of the outcomes and other transformational shifts of the Auckland Plan, sometimes as a primary contributor and sometimes as a secondary contributor, depending on the urban redevelopment project.



Development Auckland is a primary contributor to these outcomes



Development Auckland is a secondary contributor to these outcomes



Auckland Plan transformational shifts	Degree of contribution	How Development Auckland contributes
Quality urban living	Primary contribution	By developing quality inclusive and safe public spaces, and facilitating residential and commercial development in urban redevelopment locations and quality housing projects; by adopting effective design review processes and leading integrative masterplanning to incorporate local community's unique identity, attributes and potential
Raised living standards	Secondary contribution	By increasing the supply of housing covering a range of price points and housing for disabled and older persons, working with partners, and

		improving the quality of urban centres
Children & young people	The degree of contribution will depend on the nature of the urban redevelopment projects in the pipeline	By developing housing (with a range of price points) and safe and inclusive public spaces suitable for families, children and young people
Environmental action & green growth		By undertaking sustainable redevelopment of brownfield locations to create adaptable and resilient places and undertaking sustainable redevelopment in collaboration with development partners
Outstanding public transport		By undertaking transit-oriented development in brownfield and town centre locations that support the development of the passenger transport system by Auckland Transport
Māori social and economic wellbeing		By providing opportunities in urban redevelopment projects to enhance Maori social and economic wellbeing through engagement with mana whenua and mataawaka

#### 4. DEVELOPMENT AUCKLAND STRATEGIC OBJECTIVES

Development Auckland has the following set of strategic objectives, derived from the purpose and role set out in the Accountability Framework:

- 1. Facilitate redevelopment of urban locations** - Consistent with the urban form and infrastructure objectives of the Auckland Plan, Development Auckland will facilitate private sector, third sector<sup>1</sup>, iwi and government investment and collaboration into the sustainable redevelopment of brownfield urban locations. It will co-ordinate the provision of council's infrastructure and other investment in these locations.
- 2. Accommodate growth** - Development Auckland will contribute to accommodating residential and commercial growth through facilitating the quality redevelopment of urban locations with excellent public infrastructure and services. Redevelopment of the overall portfolio<sup>2</sup> should offer a range of residential choices and price points to cater for diverse households.
- 3. Facilitate vibrant development** - Development Auckland will facilitate the creation of adaptable and resilient places that inspire wellbeing, promote health and safety and are fully accessible to disabled people and older adults. It will harness and incorporate the local community's unique identity, attributes and potential to create vibrant communities.
- 4. Waterfront Development** - Consistent with the Waterfront Plan 2012, Development Auckland will continue to lead the development of the Auckland waterfront in a way that balances commercial and public good objectives, including high quality urban design.
- 5. Optimisation of council's property portfolio** - Development Auckland may facilitate quality redevelopment of underutilised council landholdings within current urban boundaries.

<sup>1</sup> The third sector refers to organisations that are 'not for profit and/or 'non-government' organisations.

<sup>2</sup> This allows flexibility to take a tailored approach to different locations and sites.

6. **Contribute to the management of non-service properties** - Development Auckland will also manage council's non-service properties in partnership with the council group.

In summarising the above, DA will play a significant role in the transformational shift “to radically improve the quality of urban living” and it will do this through two core strategic activities

- To catalyse urban redevelopment
- To strategically create value from assets

## 5. THREE YEAR WORKPLAN TO DELIVER ON STRATEGIC DIRECTION

The following are the key initiatives/projects to deliver on Development Auckland strategic objectives:

Key project and initiatives		Description	Contribution to strategic role
<b>Strategic Initiatives</b>			
1	Confirm key development priorities	Select Type 1 and type 2 locations based on the location analysis and the preparation of feasibility cases, aligned with a confirmed portfolio strategy	Catalyse urban redevelopment; Strategically create value from assets
2	Operational Excellence for One Team	Ensure the newly established organisation is performing well with key processes, systems and people in place and major “establishment” milestones are established and completed.	High performing council
3	Maori Initiatives	Establish engagement forum, update and implement Maori Responsiveness Action Plan, identify Maori development (see following table for details)	Significantly lift Maori social and economic wellbeing
4	Local board engagement plan and masterplanning with local boards	Develop a local board engagement plan and in conjunction with local board services develop a framework for working with an individual local boards in redevelopment locations (type 1 and 2) e.g. respective roles and responsibilities	High performing council
5	Review business models to establish key priorities	Review business model for services delivered to the AC Group, including portfolio management, development, acquisitions and disposals and advisory services.	Strategically create value from assets
6	Sustainable development policy	Establish and deploy a corporate sustainability policy and a framework for establishing standards/targets for all projects through masterplanning	Environmental action and green growth
7	Housing for older persons portfolio	Establish a partnership between council and a community housing provider to deliver improved older persons services, expand redevelopment opportunity within the social housing portfolio and the community housing sector at no additional cost to ratepayers.	Strategically create value from assets Catalyse urban redevelopment;
8	Drive redevelopment and housing initiatives through partnerships	Establish partnering arrangements and responsibilities with government agencies and other key stakeholders and Iwi, and with other CCOs and Auckland Council to support effective and efficient urban development projects	Catalyse urban redevelopment;
9	Prepare a business case for upgrade property management system	Upgrade system to increase efficiency, transparency and improve customer/stakeholder experience	High performing council

Key project and initiatives		Description	Contribution to strategic role
10	Additional revenue streams	Investigate opportunities to generate new revenue streams from the existing asset base for example Pan-Auckland marine strategy	High performing council
<b>Capital projects</b>			
11	Waterfront development	Planning and design of key redevelopment projects in relation to Westhaven Marina, Wynyard Point, Wynyard Crossing and the facilitation of the commercial and residential development in Wynyard Central, as well as public realm and community development projects	Radically improve quality of urban living for all
12	City Centre Strategic Projects	Ring-fenced and part of CCI coordination	Radically improve quality of urban living for all
<b>Strategic projects</b>			
13	Hobsonville	Continue the design and where appropriate the construction of infrastructure under the Infrastructure Funding Agreement	Radically improve quality of urban living
14	Ormiston Town Centre	Monitor and proactively manage the Development Agreement with Todd Properties and help facilitate the provision of community facilities within the Town Centre	Radically improve quality of urban living
15	Papatoetoe Town Centre	Facilitate the upgrade of the retail component and residential developments to allow for redevelopment of the supermarket site and construction of approximately 80 housing units.	Radically improve quality of urban living

### Specific projects delivering on Māori outcomes

Key project and initiatives	Description	Contribution to Māori outcomes
Maori Responsiveness Plan refresh	Refresh an amalgamation of WA and ACPL Maori Responsiveness Plans by end 2015/16 and ongoing implementation of initiatives Staff training to increase internal capacity Continued input to Te Toa Takitini (led by Te Waka Angamua) where DA can contribute to delivery of priority projects	Internal effectiveness and capacity Recognition of Maori values and perspectives Significantly lift Maori social and economic wellbeing
Maori Engagement Forum establishment	Establish and manage a robust inclusive monthly Mana Whenua Forum to enable relationship with DA and facilitate input to DA projects. Identify Iwi interested in DA projects and facilitate input Coordinate efficient engagement with Council family to streamline engagement with mana whenua and mataawaka. Continue to share information with the Independent Maori Statutory Board (IMSB). DA will contribute information required for Te Tiriti Audit and will take account of IMSB's Schedule of Issues of Significance, The Maori Plan and the suite of statutory provisions relevant to our activities.	Foster positive and productive relationships between Council and Maori
Maori Development Opportunities	Engagement with Iwi on commercial and housing development partnering opportunities in urban redevelopment projects and opportunities to purchase properties surplus to council requirements Explore any means to improve the coordination and efficient engagement with mana whenua and mataawaka around potential disposal properties and properties	Significantly lift Maori social and economic wellbeing

Key project and initiatives	Description	Contribution to Māori outcomes
	that may become available for development. Explore Iwi Investment Fund	
Recognition and celebration of Maori cultural values and heritage	Maori cultural input to development projects: Identification of opportunities for mana whenua in terms of urban design, art, landscaping, narratives, naming, etc, and application of Te Aranga Maori Design principles in DA development projects Promotion of te reo Maori (new streets, laneways, buildings, wayfinding signage and communications) Support for Maori-focussed events at the waterfront	Promote Maori identity as Auckland's point of difference in the world

## 6. PERFORMANCE OUTLOOK

Development Auckland has an agreed set of performance measures and targets which form the basis for accountability to delivering on council's strategic direction, priorities and targets. These are reported on a quarterly basis, in accordance with the CCO Governance Manual.

The Strategic Framework for Development Auckland including the LTP activities, SOI goals and performance measures agreed as part of the Long-term Plan 2015-2025, are illustrated on the next page.

The full set of performance measures and targets are then set out. It is intended that measures will be reviewed by DA and new measures will be developed for the 2016/19 SOI.

LTP Activities	Catalyse urban redevelopment		Strategically create value from assets		
	Lead waterfront redevelopment	Facilitate metro and town centre redevelopment	Manage non-service properties & other assets of Council familv	Optimise returns from development and disposals	Lead strategic property advice and acquisitions

SOI Goals	Develop and activate public spaces on waterfront, metro and town centre development areas	Optimise returns from the managed property portfolio	Manage assets to attract private investment	Acquire properties
	Facilitate private development of waterfront, metro, and town centre selected sites		Dispose agreed surplus properties	Identify and propose opportunities across AC Group portfolios
	Manage marinas	Facilitate housing development to increase housing supply		

Performance Measures	1. % visitors satisfied with experience of public spaces (LTP)	9. Improvement in gross rental income	13. Stakeholder input obtained / List of properties recommended for disposal submitted to Council	15. Acquisitions are delivered within timeline agreed
	2. % Aucklanders who visited the waterfront in past year (LTP)	10. Rolling average % occupancy at month end (LTP)	14. Achieves total forecast net sales for the financial year	16. Written evidence opportunities
	3. % of attendees satisfied with key place activities	11. ROI on like for like properties (LTP)		17. Business cases submitted
	4. # significant Māori initiatives implemented (LTP)			18. Devt agreements submitted
	5. % customers satisfied overall with marina facilities and services (LTP)			19. Project achieves outturn
	6. Ratio of private vs. public investment	12. Return on Equity on commercial assets and services (LTP)		
	7. % mana whenua and mataawaka satisfied with quality of engagement.			
	8. Property portfolio net surplus achieves the annual budget			

Strategic Initiatives and Deliverables	1. Confirm key development priorities	
	2. Operational excellence for One Team	
	3. Maori initiatives	
	4. Local Board engagement and masterplanning framework	
	5. Review business models to establish key priorities	
	6. Sustainable development policy	9. Upgrade property management system
7. Housing for older persons	10. Additional revenue streams	
8. Efficient redevelopment projects and housing initiatives through partnership with others including government agencies and Council Family		
11. Waterfront development 12. City Centre strategic projects		
13. Hobsonville 14. Ormiston Town Centre 15. Papatoetoe Town Centre		



## Performance Measures

Service Level Statement	Measure		Actual 2013/14	Annual Plan 2014/15	SOI Targets		
					2015/ 2016	2016/ 2017	2017/ 2018
Develop and activate public spaces on waterfront, metro and town centre development areas	1	Percentage of visitors surveyed satisfied with their experience of the public spaces on the city centre waterfront (LTP)	73%	New measure	75%	75%	75%
	2	Percentage of Aucklanders surveyed who have visited the city centre waterfront in the past year (LTP)	73%	New measure	73%	73%	73%
	3	Percentage of attendees surveyed satisfied with key Waterfront place programmes and activities	82%	New measure	83%	84%	85%
	4	Number of significant Māori initiatives implemented per annum (LTP)	32	New measure	42	47	52
Manage marinas	5	Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)	72%	New measure	73%	74%	75%
Facilitate private development of waterfront, metro and town centre selected sites	6	Ratio of private vs. public investment	0.95	New measure	0.81	1.43	2.09
Facilitate effective engagement with mana whenua and	7	% mana whenua and mataawaka satisfied with quality of engagement	Not Available	New measure	Establish Baseline	Maintain or Improve	Maintain or Improve

Service Level Statement	Measure		Actual 2013/14	Annual Plan 2014/15	SOI Targets		
					2015/ 2016	2016/ 2017	2017/ 2018
mataawaka							
Facilitate private development of waterfront, metro and town centre selected sites	8	The net surplus on the property portfolio achieves the annual budget agreed with Council.	Actual of \$25.4m vs Budget of \$23.5m (\$1.9m above budget)	Net Surplus achieves budget for 2014/15	Net Surplus achieves budget for 2015/16	Net Surplus achieves budget for 2016/17	Net Surplus achieves budget for 2017/18
Optimise returns from the managed property portfolio	9	Improvement in gross rental income on those properties that are available for rent and have been held in the portfolio for at least two years prior to the end of the reporting period	Actual of 4.4% against baseline of 4.0%.	The gross rental income shows improvement against the income two years prior.  (4.0%)	The annualised % movement in gross rental income of properties with rent reviews during the financial period is equal to or greater than the CPI movement.	The annualised % movement in gross rental income of properties with rent reviews during the financial period is equal to or greater than the CPI movement.	The annualised % movement in gross rental income of properties with rent reviews during the financial period is equal to or greater than the CPI movement.
	10	For those properties available for rent: The rolling average over a 12 month period, of % occupancy at each month end (LTP).	Actual Vacancy of 3% (Occupancy 97%) Target achieved.	Target Vacancy of 5% (Occupancy 95%).	The average of monthly % occupancy for the year is 95% or more.	The average of monthly % occupancy for the year is 95% or more.	The average of monthly % occupancy for the year is 95% or more.
	11	Maintain or improve the baseline established at the end of the 2012/13 financial year. ROI on properties on a like for like basis (LTP) ACPL is committed to continuously review and improve the ROI target over the term of the SOI.	2013/14 Actual of 2.9% 2013/14 Actual adjusted using latest valuation is 2.2% (Baseline of 2.7% Baseline of 2.1% after adjusting for the latest valuation).	Greater than or equal to 2%. (Annual Plan target is 4% gross ROI)	Greater than or equal to 2.1%	Greater than or equal to 2.2%	Greater than or equal to 2.2%

Service Level Statement	Measure		Actual 2013/14	Annual Plan 2014/15	SOI Targets		
					2015/ 2016	2016/ 2017	2017/ 2018
	12	Return on Equity on commercial assets and services (LTP)	9.4%	New measure	8.8%	8.4%	8.1%
Dispose agreed surplus properties	13	<p>Stakeholder input is obtained prior to Council Committee approval for disposal being sought.</p> <p>List of properties recommended for disposal submitted to Council</p> <p>The disposal target for the next financial period will be agreed with Council in the current financial period.</p>	<p>Actual of \$150m vs target of \$100m to the end December 2013.</p> <p>For the period Jan to June 2014 \$14.5m was recommended compared to a target of \$12.3m.</p>	<p>A list of recommended properties totalling \$30 million gross value will be submitted to Council seeking approval to dispose for 2014/15 financial period.</p> <p>A recommended for disposal target for 2015/16 will be agreed with Council in the 2014/15 financial period.</p>	<p>A list of recommended properties totalling <b>\$40</b> million gross value will be submitted to Council seeking approval to dispose for 2015/16 financial period.</p> <p>A recommended for disposal target for 2016/17 will be agreed with Council in the 2015/16 financial period.</p>	<p>A list of recommended properties with total value agreed with Council the prior year will be submitted to Council seeking approval to dispose for 2016/17 financial period.</p> <p>A recommended for disposal target for 2017/18 will be agreed with Council in the 2016/17 financial period.</p>	<p>A list of recommended properties with total value agreed with Council the prior year will be submitted to Council seeking approval to dispose for 2017/18 financial period.</p> <p>A recommended for disposal target for 2018/19 will be agreed with Council in the 2017/18 financial period.</p>
Dispose agreed surplus properties	14	Achieve total forecast net sales for the financial year.	New performance measure	<p>Meet or exceed financial forecasts</p> <p>Property disposal target of \$30 million (net value of unconditional sales).</p>	<p>Meet or exceed financial forecasts</p> <p>Property disposal target of <b>\$50</b> million (net value of unconditional sales).</p> <p>Property disposal target (net value of unconditional sales) for 2016/17 financial</p>	<p>Meet or exceed financial forecasts</p> <p>Property disposal target (net value of unconditional sales) for 2017/18 financial period will be agreed with Council in 2016/17.</p>	<p>Meet or exceed financial forecasts</p> <p>Property disposal target (net value of unconditional sales) for 2018/19 financial period will be agreed with Council in 2017/18.</p>

Service Level Statement	Measure		Actual 2013/14	Annual Plan 2014/15	SOI Targets		
					2015/ 2016	2016/ 2017	2017/ 2018
					period will be agreed with Council in 2015/16.		
Acquire properties	15	Acquisitions are delivered within the timeline agreed with AC and AT.	New Measure	New Measure	75% satisfaction against agreed service performance measure	75% satisfaction against agreed service performance measure	75% satisfaction against agreed service performance measure.
Identify and propose opportunities across Auckland Council Group portfolios	16	Written evidence that opportunities have been identified and assessed, to be progressed or not. (Housing and urban regeneration combined)	At least 6 opportunities identified and assessed	At least 6 opportunities identified and assessed	At least 50 opportunities identified and assessed	At least 50 opportunities identified and assessed	At least 50 opportunities identified and assessed
	17	Business cases are developed for housing or urban regeneration projects and are submitted for approval by the Board and/or Council. (Three year targets) (Housing and urban regeneration combined)	Three year target (progressing) Two business cases for intensive use of sites for housing for the Elderly were completed against a target of two business cases. A business case was developed for a development project with an affordable housing component which involved the use of the SDF was approved by the Board and Council.	<b>Three year target</b> Business cases are prepared for at least three Council Housing for the Elderly sites to endeavour to achieve more intensive use of the sites for housing while retaining at least the current number of Council Housing for elderly units.			
					<b>Three year target</b> Business cases to be prepared for ten housing development projects with an affordable housing component which will include private and other sector partners and may involve the Strategic Development Fund.		

Service Level Statement	Measure		Actual 2013/14	Annual Plan 2014/15	SOI Targets		
					2015/ 2016	2016/ 2017	2017/ 2018
	18	Development agreements are submitted to the ACPL Board and/or Council for approval. (Housing and urban regeneration combined)	Three year target progressing Two joint venture or agreements with third parties including community housing organisations were entered into out of a three year target of three.	<b>Three year target</b> Five joint venture or agreements with third parties including community housing organisations to be entered into.			
	19	On completion, the project achieves the financial and non-financial outturn in the business cases. (Housing and urban regeneration combined)	All projects completed this year achieve business case financial and non-financial outturn	All projects completed this year achieve business case financial and non-financial outturn	All projects completed this year achieve business case financial and non-financial outturn	All projects completed this year achieve business case financial and non-financial outturn	All projects completed this year achieve business case financial and non-financial outturn

## 7. SUMMARY OF FINANCIALS

The following summary of financials supports the delivery of the strategic objectives and performance targets for Development Auckland.

The financials are based on the LTP budget allocation and the figures do not include funding for any new projects. New urban redevelopment projects will be chosen by Development Auckland (in consultation with Auckland Council) and they will need to be funded through reallocation through specific business case to council or through alternative funding streams.

### Operating expenditure (\$ millions)

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Personal costs	11.5	12.7	14.2	15.7	16.1
Other expenses	28.3	30.6	29.5	30.9	32.9
Interest	1.1	2.4	2.6	3.3	3.6
Depreciation	9.1	9.1	10.7	11.6	12.0
<b>Total operating expenditure</b>	<b>50.0</b>	<b>54.8</b>	<b>56.9</b>	<b>61.5</b>	<b>64.6</b>
<b>Operating expenditure to be funded<sup>1</sup></b>					
<u>Funded by:</u>					
External revenue	24.7	28.1	29.1	29.3	32.6
Grants/ subsidies	4.3	4.5	4.0	4.9	5.1
Auckland Council funding	16.1	16.0	16.1	17.8	18.6
<b>Total</b>	<b>45.1</b>	<b>48.6</b>	<b>49.2</b>	<b>52.0</b>	<b>56.3</b>
<b>Surplus/ (deficit)</b>	<b>-4.9</b>	<b>-6.2</b>	<b>-7.7</b>	<b>-9.5</b>	<b>-8.3</b>

### Development Auckland Capital expenditure (\$ millions)

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Growth	15.8	16.8	44.0	22.2	8.3
Level of service	15.5	6.9	10.0	10.7	9.3
Renewals		2.8	4.7	2.4	1.5
<b>Total capital expenditure</b>	<b>31.3</b>	<b>26.4</b>	<b>58.6</b>	<b>35.3</b>	<b>19.2</b>
<u>Funded by:</u>					
Debt	6.9	10.3	37.2	20.6	5.6
Grants / subsidies					
Auckland Council funding	24.4	16.1	21.5	14.7	13.5

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
<b>Total</b>	<b>31.3</b>	<b>26.4</b>	<b>58.6</b>	<b>35.3</b>	<b>19.2</b>

The above capital expenditure includes all of Waterfront Auckland's capital expenditure for 2015-18.

Public space activities are funded by grants from Auckland Council. Commercial property and marina operational activities will be funded through commercial income with any shortfall covered by debt funding. Cash surpluses generated from commercial operational activities not used to reduce debt or fund capital works for commercial activities, over a threshold to be agreed annually, may be returned to the shareholder. Overheads will be allocated across each of the public, commercial, marina areas of activities.

### Capital expenditure on behalf of Council (\$ millions)\*

	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Growth	4,327	26,061	37,646	44,546	29,780
Renewals	1,783	6,437	5,371	4,109	4,224
<b>Total capital expenditure</b>	<b>6,110</b>	<b>32,498</b>	<b>43,017</b>	<b>48,655</b>	<b>34,004</b>
<u>Funded by:</u>					
Capital revenue	415	25,242	13,585	25,404	10,202
Auckland Council funding	5,695	7,256	12,058	7,122	8,808
<b>Total</b>	<b>-</b>	<b>-</b>	<b>17,374</b>	<b>16,129</b>	<b>14,994</b>

The above capital expenditure includes the Development Budget and Strategic Development Fund.

The prospective operating contributions to Council and capital expenditure derived from previous ACPL managed activities are summarised below.

Property Portfolio revenue relates to rental income and operating cost recoveries from the property portfolio assets under management and control of previous ACPL. Portfolio assets are managed on behalf of Auckland Council and Auckland Transport who retain ownership of the property assets.

Operating surplus from Property Portfolio reflects revenues less direct operating expenses such as repairs and maintenance but excludes depreciation.

### Prospective Operating Contribution

\$000	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
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<b>\$000</b>	<b>2013/14 Actual</b>	<b>2014/15 Annual Plan</b>	<b>2015/16 LTP</b>	<b>2016/17 LTP</b>	<b>2017/18 LTP</b>
Property Portfolio revenue	37,761	36,616	39,306	35,847	30,984
Net Operating surplus from Property Portfolio	25,417	24,875	27,507	24,808	21,933
Net Operating surplus from Business Interests	3,250	2,397	3,233	2,751	2,887
Net Operating surplus from Development Projects and other	2,615	281	(2,211)	(2,282)	(2,356)
Net Surplus funds contributed to Council Group	31,282	27,553	28,529	25,277	22,464
Allocated to:					
Auckland Transport	6,642	6,918	9,070	7,010	5,268
Auckland Council	24,640	20,635	19,459	18,267	17,196
<b>Total</b>	<b>31,282</b>	<b>27,553</b>	<b>28,529</b>	<b>25,277</b>	<b>22,464</b>

“Renewals” comprise capital expenditure on property in the portfolio managed by previous ACPL.

### Development Budget

<b>\$000</b>	<b>2013/14 Actual</b>	<b>2014/15 Annual Plan</b>	<b>2015/16 LTP</b>	<b>2016/17 LTP</b>	<b>2017/18 LTP</b>
<b>Total development expenditure</b>	-	<b>5,000</b>	<b>5,116</b>	<b>5,242</b>	<b>5,380</b>
Development operating expenditure	-	2,500	2,558	2,621	2,690
Development capital expenditure	-	2,500	2,558	2,621	2,690
<b>Funded by:</b>					
ACPL property disposals	-	5,000	5,116	5,242	5,380

Development operating expenditure includes the costs of investigatory work to seek out and develop development opportunities. This includes preparation of feasibility studies and business cases and will be funded from extra property sales generated.

Development capital expenditure is the costs of developing properties for sale and will be funded from the sale of those properties

Council’s Strategic Development Fund (SDF) will be utilised to fund development projects. This will not have an impact on rates as sales from developments will cover all development costs including funding costs.

### Strategic Development Fund Budget

\$000	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Development Capital Revenue	-	-	-	-	-
Development Capital Expenditure	-	6,907	5,894	13,181	13,850
Surplus/ (deficit)	-	<b>(6,907)</b>	<b>(5,894)</b>	<b>(13,181)</b>	<b>(13,850)</b>

Performance against the Development Budget and the SDF will be reported as part of regular Quarterly Reporting to the CCO Governance and Monitoring Committee.

### Specific expenditure towards Māori outcomes

Initiative	2013/14 Actual	2014/15 Annual Plan	2015/16 LTP	2016/17 LTP	2017/18 LTP
Māori engagement	0.857	0.657	0.678	0.690	0.712
Māori technical/specialist advice	0.081				
Koha	0.000	0.005	0.005	0.005	0.005
Enabling iwi involvement in the remediation and environmental enhancement of the waterfront			0.072	0.076	0.088
Increasing internal Māori capacity			0.005	0.005	0.005
Support for Māori-focused events at the waterfront			0.100	0.100	0.100
Iwi Investment Fund			0.100	0.100	0.100
<b>Total</b>	<b>1.236</b>	<b>0.754</b>	<b>0.960</b>	<b>0.976</b>	<b>1.910</b>

### Other financial information

<b>Current value of assets</b>	The projected value of Development Auckland total assets as at: 30 June 2016: \$1,927 million 30 June 2017: \$2,006 million 30 June 2018: \$2,056 million	
<b>Shareholder equity ratio</b>	The projected shareholder equity ratio for Development Auckland as at: 30 June 2016: 93% 30 June 2017: 92% 30 June 2018: 91%	
<b>Accounting Policies</b>	Development Auckland's accounting policies are consistent with those of the Auckland Council group policies.	
<b>Financial Reporting</b>	Development Auckland's financial reporting will be in accordance with requirements of the CCO Governance Manual.	
<b>Asset sales (\$ million)</b>	2013/14 Actual	\$20.6m

	2014/15 Annual Plan	\$30.0m
	2015/16 LTP	\$50.0m
	2016/17 LTP	The property disposal target (net value of unconditional sales) for 2016/17 financial period will be agreed with Council in 2015/16.
	2017/18 LTP	The property disposal target (net value of unconditional sales) for 2017/18 financial period will be agreed with Council in 2016/17.

Development Auckland intends to distribute to Auckland Council funds from commercial activities that are surplus to requirement. We envisage paying a dividend of \$1.8 million a year during the period of this SOI.

Auckland Council confirms that they will not seek repayment from Development Auckland of the current loans for \$11.3m and \$11.7m totalling \$23m before 30 September 2017. Where the existing loans mature prior to this date the Council will roll this debt until at least 30 September 2017.

## 8. APPROACH TO GOVERNANCE

Auckland Council works in partnership with its CCOs and the agreed approach to governance is outlined within the CCO Governance Manual. The Governance Manual sits alongside this SOI Development Auckland will act in accordance with the Governance Manual.

Auckland Council CCOs are required to hold two public meetings a year (Local Government (Auckland Council) Act 2009). Development Auckland's schedule for year 1 of this SOI is as follows:

Purpose	Date	Form of Public Notification
Consider shareholder comments on draft SOI	Wednesday 24 June 2016	Advertisement in NZ Herald at least two weeks prior to meeting and on Development Auckland website five working days prior.
Consider performance against SOI targets	Wednesday 23 September 2015 Wednesday 28 September 2016	