

## Chief Executive’s Report to the Board

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### 1. Overview

This is the first Chief Executive’s Report to the Panuku Development Auckland (“Panuku”) Board.

Moving forward, we will report using a number of summary templates which will be incorporated into this report.

Next month, which will be the first report focused solely on Panuku, we will add:

- Portfolio summaries
- Directorate summaries

The intention is that this Chief Executive’s Report provides Directors with a summarised overview of the most important issues facing the organisation. Importance is defined as those projects which are strategically significant, involves notification or approval from the Shareholder, or have the potential to become publically noteworthy.

More detailed information will be provided in the Performance Reports which are part of the larger Board papers package. This report should provide Directors with the strategic context and confidence that the key issues are being managed, to frame the consideration of Decision Papers and Information Papers later in the meeting.

### 2. Key Issues

This section outlines issues that are not otherwise covered by a Decision Paper or an Information paper elsewhere in the agenda and are either:

- Strategically significant or material
- Emerging issues
- Involve notification or approval from the shareholder
- Have the potential to become publically noteworthy.

## 2.1 Strategically significant or material issues

### 2.1.1 Selection of priority redevelopment areas

This workstream contains material handed over by the Council, developed during the transition to Development Auckland, analysing potential candidates for potential selection as priority redevelopment locations (development Type 1, in our new terminology).

The expectation is that Panuku will work through identifying a short list of approximately a half dozen locations, and from that short list recommend one or two to the Council's Auckland Development Committee for endorsement as the selected priority redevelopment locations for Panuku to focus on.

## 2.2 Emerging issues

### 2.2.1 Halsey Street Wharf Extension

At the most recent CCI Chief Executive workshop, the CCI team raised again the difficult issue of accommodating and berthing the new cruise ships, measuring some 350 metres LOA. Several options were discussed in light of the joint work going on around the port. The option which the CEs endorsed for immediate and further examination relates to the extension of Halsey Street Extension Wharf.

This project was included in the Waterfront Plan, and while there are some practical issues to deal with in terms of Health and Safety (separation from bulk liquids on Wynyard Wharf), there is renewed interest in this proposal on the basis that the Auckland Investment Office (AIO) can monetarise an additional passenger levy and/or a similar contribution from Auckland International Airport. The proposition is that the monetarisation of these potential revenue streams could close the funding gap evident in earlier feasibility work.

The CCI team is to report back to the Chief Executives by November 2015. If this proposal is workable then it would provide further impetus to Wynyard Quarter, although there will also be some practical issues to manage such as ensuring adequate transport connectivity, relocating Team New Zealand and ensuring that arrangements with the fishing fleet are sustainable through any construction and when cruise ships are berthed.

## 2.3 Shareholder notification or approval required

### 2.3.1 Downtown Car Park

ACPL was previously coordinating work to explore the opportunity to sell/redevelop the Downtown Car Park. The City Centre Master Plan had identified this building as having the potential to be redeveloped to contribute more positively to the urban environment, particularly by extending the city block laneway networks both north-south and east-west.

In exploring council requirements, AT developed a strong view that this site should continue to provide at least 2000 car spaces (currently 2054). Based on the current operating net income and its debt servicing ability, our analysis has indicated that it would not be viable for a private sector party to purchase the building at a value we would find acceptable, then redevelop the building to meet our desired urban design requirements and retain this full quota of car parks. On this basis no further investigations are proceeding at this time.

### 2.3.2 Civic Administration Building and Wider Aotea Precinct Development Opportunities

The Expressions of Interest process to seek private sector investment to refurbish this building commenced on 4 September. The Auckland Development Committee has set a target to approve a selected party by March 2016. The EOI process includes offering the surrounding 5000m<sup>2</sup> site as part of the opportunity and it is prepared to consider sale or a long term lease to facilitate private sector investment in refurbishing this building. The

council has not budgeted for any capital expenditure to contribute to the refurbishment. It is expected that the anticipated sale or lease will result in net receipts for the Council. Panuku costs are being met from the Development Fund in the interim and will be treated as a cost of sale if a transaction is consummated.

Consultation on a Quarter Plan is also underway and this will enable public input that should assist in enabling other development opportunities at the rear of the Town Hall to be addressed.

## **2.4 Potential to be publicly noteworthy**

### **2.4.1 Property Market Analysis**

There is a plethora of comment around the property market at present, some of it reasonably well informed, other commentary quite speculative and in some cases misleading in terms of some of the conclusions propagated. In order to provide a balanced and informed view, Executive are examining a range of market data, discussing this with leading industry commentators and debating some of the issues internally to arrive at a common house view based upon regular analysis of key metrics. This will be presented to the Board in November to assist with the selection of priority locations and projects.

### **2.4.2 Westhaven Marine Centre**

The development of the Westhaven Marine Centre is a project that is carried over from Waterfront Auckland. It is a development that was outlined in the Westhaven Plan that was consulted with the public.

The Westhaven Marine Centre is a project that is being fully developed by Panuku. It is an exception to the scope for Panuku that is outlined in the Statement of Intent that precludes Panuku being involved as a direct developer. This has been discussed with the Council CE Stephen Town, and it has been agreed that given this project is work in progress, and is incorporated within the Long Term Plan, the project is to proceed as part of Business as Usual.

### **2.4.3 Park Hyatt Hotel Consent**

Resource Consent has been given to build a Park Hyatt hotel in Wynyard Quarter.

At time of writing, no appeals have been lodged to the Environment Court regarding the Park Hyatt Hotel consent decision. Should appeals be lodged, the Executive will instruct legal counsel to defend the decision and unless issues are further refined through negotiation, will field the same team of expert witnesses as used in the Council hearing.

Appeals timeframes are indicative only at this stage, but should any be lodged the Executive anticipates the Court requesting mediation to occur in November/December with a hearing scheduled for late in the first quarter, or second quarter of 2016.

## **3. Portfolio Summary**

A summary will be developed once the Director of Portfolio Management starts in his role in October. The summary will illustrate high level changes in the make-up of the Panuku Property Assets portfolio.

## **4. Directorate Highlights**

From October, one page summaries of highlights by Directorate will be provided. These will focus on business and operational issues relevant to each directorate.

## 4.1 Interface with DPO

Through the transition and into current operations the Executive has been participating with Auckland Council in regards to their Reshape project affecting a new organisational structure for the operational part of Council under Dean Kimpton's leadership.

The Reshape proposal sees the establishment of a Development Project Office (DPO) which will be a key interface with Panuku. The broader framework has been agreed, detailed Auckland Council staff consultation on DPO is underway and we are participating in pilot initiatives involving defining roles and responsibilities using four locations as working examples.

## 5. Compliance Summary

### 5.1 Health and Safety

An interim Health and Safety Policy for Panuku is in place and this will be reviewed and updated over the next few months.

An initial meeting of the health and safety committee has been held and the implementation of health and safety activity for the organisation is underway. Election of employee members to the committee will be completed in the near future.

There was one incident reported in August with a staff member slipping on office stairs and spraining their wrist. The investigation for the incident is still in progress.

A health and safety risk register is being developed to combine the risks/hazards from Auckland Council Property Limited and Waterfront Auckland. Emergency procedures have been updated and are in place for the office with a practice evacuation planned in the next few weeks.

### 5.2 Risk Management Framework

The Panuku Draft Risk Management Framework will be presented to the Board for approval in October 2015. The framework is being developed based on the ISO 31000 risk management standard and the risk management frameworks of the legacy organisations.

The Risk Implementation Plan and initial Top Risk Register are also being developed and will be presented to the Board in October for information.

The Implementation plan will outline the risk management activities in the next ten months relating to the implementation of the framework across the business. The initial Top Risk Register will reflect risks to some of the priorities identified by management to date, establishment risks identified during the transition and relevant top risks from the legacy organisations.

### 5.3 Media requests

- There have been no material media enquiries since the date of the last report.