
Non-strategic Asset Sales

Purpose

1. To provide preliminary information on non-strategic assets with optimisation potential.

Summary

2. Investment pressure across the region means Auckland Council needs to consider different sources of financing for core infrastructure.
3. The types of non-strategic assets (i.e. assets that are not listed as strategic assets in Auckland Council's Significance and Engagement Policy) identified include off-street parking, golf courses, holiday parks, and corporate offices. These have viable financing alternatives which have been market tested both domestically and overseas.
4. Off-street parking and land currently used for golfing and holidaying purposes can be better utilised (from a wider community benefit perspective) than in their current state. The alternative use values of many of these sites can be materially different to their current book values. Optimising the land and air rights of these holdings can yield wider community benefits.

Background

5. Auckland Council owns a range of non-strategic assets across the city. Among these are car parks, corporate offices and parcels of land currently used for golfing and holiday parks. These assets are fundamentally land holdings with the exception of our corporate offices.
6. EY and Cameron Partners (Alternative Sources of Financing report, 2015) identified these assets as having alternative financing opportunities and recommended further analysis.
7. Community facilities have been excluded from this report.
8. Key questions to consider when evaluating the current ownership structure of these assets:
 - Are there alternative delivery methods that provide better value for money when considering all costs, including opportunity costs?
 - Are the benefits derived from the facility isolated benefits or wider community benefits?
9. Note any undertaking does not have to be an "all or nothing" decision. Varying degrees of service / facility provision can be achieved whilst recycling capital for investment in strategic assets (e.g. roads / water assets / parks).

Off-street Parking

10. Auckland Transport (AT) manages six major parking buildings (four in the CBD and one each in Manukau and New Lynn) and over 150 at-grade car parks across Auckland. At-grade car parks are broken down into Tier 2 (revenue generating) and Tier 3 (non-revenue generating).
11. Off-street parking is integral to Auckland's transportation network. The off-street parking stock is regularly reviewed to ensure supply is appropriate to meet existing and future requirements. Increased demand for parking is forecasted, with both AT and Panuku seeking funding for this investment.
12. In an environment of increasing demand it may not seem prudent to be considering divestment options but market driven solutions are available where public parking capacity can be maintained whilst still delivering additional wider community benefits (see Illustrative Example 1).

13. Public institutions, both domestically and overseas, have successfully partnered with the private sector to increase parking facilities to augment the quality of their core community deliverables.
14. The portfolio identified for review consists of the following car parks:

Table 1

Site	Capacity	Net operating surplus (\$000)	Current book value* (\$000)
Downtown	2,088	6,684	95,226
Civic	1,015	3,349	68,628
Victoria	888	3,227	42,769
Fanshawe	497	528	17,820
Ronwood	619	143	17,789
McCrae Way	299	(42)	10,709
Tier 2 at-grade	Various	1,917	120,187
Tier 3 at-grade	Various	(3,012)	135,400

* As at 30 June 2016

15. Auckland Council has in the past received unsolicited offers for our parking buildings indicating private interest in the provision of these services.
16. Auckland Council has an opportunity to reconsider its rationale for continuing ownership, particularly given the presence of well-functioning privately operated facilities.
17. Illustrative Example 1 – 31 Customs Street West Parking Building

The Downtown car park is situated on 6,442 square metres of prime CBD real estate close to entertainment and public transport facilities. It consists of 7 floors of parking.

Rationalising the parking building into commercial and/or residential developments would result in a number of positive community outcomes;

- Maintain downtown parking to facilitate AT’s transport objectives,
- Optimise AC owned land by partnering with developers to create value that can be directed to strategic assets,
- Intensification provides affordable housing and reduces overall traffic congestion.

Around the corner on Albert Street multiple high rise complexes are either under construction or planned for construction. This activity is quoted as being primarily due to the development of the CRL indicating the reasonableness of a similar development occurring on the 31 Customs Street site.

Residential and commercial development on this site would also allow Auckland Council to capture some of the value created by the CRL.

Land parcels currently used for golfing activities

18. Auckland Council’s ownership and management of land currently used for golfing are a result of decisions made by the legacy councils. The respective lease agreements (rent and term) vary significantly across the portfolio due to the inconsistent approach of legacy councils. Many leases only require a peppercorn rental with the remainder requiring an amount below market rates.

19. As a result of these legacy council decisions, Aucklanders receive varying degrees of benefit from these high value assets. Some communities benefit greatly from the open spaces and increased accessibility to golf courses yet other communities do not. This is particularly evident for those in the inner city.
20. Over half the leases are due to expire between 2021 and 2026 so an opportunity has risen to re-evaluate the merits of golf course ownership. There are a number of leases (i.e. Remuera / Muriwai / Pupuke) that are long-term or have clauses that allow long-term renewals which will be difficult to alter within the 2018-2028 LTP period.
21. However, the very large alternative use value of many of these sites means that even those with exceptionally long leases have an opportunity to work towards mutually beneficial outcomes for the benefit of all Aucklanders.
22. The approved Chamberlain Park master plan will allow reshaping and redevelopment of the existing golf course to enhance the golfing experience and increase general sport and public recreation facilities. Chamberlain Park sits on 32.3 hectares of land which indicates that this type of redevelopment is feasible for other larger Auckland Council owned golf courses (eight other areas have land in excess of Chamberlain Park).
23. The portfolio identified for review consists of the following land parcels:

Table 3

Site	Land area (Hectare)	Rateable land value (2017)	Alternative use value (Cameron Partners, 2015)	Lease expiry (incl. renewals)
Remuera	63.6	\$22.5M	\$517.1M	Dec 2091
Chamberlain Park	32.3	\$17.0M	\$315.6M	Staff managed
Pupuke	73.5	\$31.9M	\$307.2M	Dec 2038
Takapuna	43.7	\$32.3M	\$229.7M	Feb 2025
Waitemata	19.2	\$13.1M	\$212.2M	Jul 2027
Muriwai	86.5	\$2.8M	\$173.1M	Dec 2094
Omaha Beach	22.0	\$3.2M	\$146.6M	Nov 2021
Clarks Beach	42.0	\$2.6M	\$98.7M	Apr 2017
Waiuku	30.2	\$4.0M	\$36.1M	Feb 2017
Waiheke	53.4	\$5.0M	\$34.6M	Oct 2022
Awhitu	115.0	\$1.3M	\$34.0M	Jun 2026
Waitakere	86.8	\$1.0M	\$14.5M	Monthly
Great Barrier Island	24.2	\$0.2M	\$13.5M	Aug 2022

24. The Auckland region currently has 23 golf courses with Auckland Council being the largest investor in this sport. Auckland Council does not participate to this degree for any other sport. For example, Auckland Council owns many sporting fields but the use of these fields are generally interchangeable across different sports.
25. Auckland Council has an opportunity to reconsider its rationale for continuing ownership, particularly given the presence of well-functioning privately operated golf courses.
26. Illustrative Example 2 – 21 Northcote Rd Takapuna Site

The Takapuna golf course sits on 43.65 hectares of flat land adjacent to the northern motorway. The area is located close to transport links (northern motorway / Smales Farm bus station) as well as commercial and retail precincts on the other side of the motorway and to the north in Wairau Valley.

Optimising this land by reshaping the course to enable mixed use development as well as open park space for the wider community whilst still maintaining a golf offering would achieve a number of positive outcomes;

- Maintaining golfing activities to facilitate sporting objectives,
- Opening up publicly owned land for the wider community to enjoy as parks
- Optimise AC owned land by partnering with developers to create value that can be directed to strategic assets,
- Intensification provides affordable housing and reduces overall traffic congestion.

A \$300 million development further north in Albany yields 800 midrise units on a land area of 2 hectares. This indicates that a significant number of midrise units can be achieved whilst still providing golfing facilities and plentiful open space to the wider community.

Land parcels currently used for holiday parks

27. Auckland Council owns and operates three holiday parks in northern Auckland. These land holdings are in the outskirts of the Auckland region and do not have particularly high alternative use values.
28. Nevertheless, Auckland Council has an opportunity to reconsider its rationale for continuing ownership, particularly given the presence of well-functioning privately operated holiday parks.
29. The portfolio identified for review consists of the following holiday parks:

Table 4

Site	Land area (Hectare)	Rateable land value (2017)
Orewa	25.9	\$5.8M
Martins Bay	28.9	\$7.0M
Whangateau	9.0	\$0.7M

Corporate property portfolio

30. Auckland Council owns a range of corporate office buildings. The extent of ownership reflects legacy council decisions with the exception of 135 Albert Street.
31. Auckland Council’s need for office buildings is not unique. Our requirements can be easily met through standard leasing arrangements. Best practice is for entities not in the business of property investment to lease their corporate offices.
32. It should be noted that Auckland Council is currently developing a corporate property strategy that moves towards a hub and spoke model which will allow more efficient use of space. A detailed business case will be prepared in early 2018.
33. The portfolio identified for review consists of the following:

Table 5

Site	Area	Rateable improvement value (2017)	Rateable land value (2017)	Total (2017)
Council Tower Albert Street	Auckland Central	\$145M	\$65M	\$210M
Waitakere Civic Centre	Henderson	\$53M	\$5M	\$58M

Site	Area	Rateable improvement value (2017)	Rateable land value (2017)	Total (2017)
Bledisloe House	Auckland Central	\$14M	\$34M	\$48M
Graham Street	Auckland Central	\$23M	\$29M	\$52M
Pacific Tasman Building	Orewa	\$23M	\$5M	\$29M
Manukau Civic Building	Manukau	\$11M	\$23M	\$34M
Central One	Henderson	\$12M	\$5M	\$17M
Kotuku House	Manukau	\$10M	\$2M	\$12M
Pukekohe Service Centre	Pukekohe	\$0M*	\$7M	\$7M
Papakura Service Centre	Papakura	\$0M*	\$4M	\$4M

*shown here as \$0M here due to rounding only

34. Figures used in the table above are the most recent rateable values.
35. Auckland Council has the opportunity to reconsider its rationale for continuing ownership, particularly given the presence of well-functioning privately operated commercial offices.

Attachments

There are no attachments to this report.

Signatories

Authors	David Lai, Senior Analyst Group Financial Planning
Authoriser	Matthew Walker, Acting Group Chief Financial Officer