

# **Panuku Development Auckland**

## **Quarterly Report**

### **Quarter ended 30 September 2018**

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## 1. Executive summary

The Quarter 1 report shows progress on the location programme, progress on company strategic issues and SOI targets.

A number of programme activities have been progressed that includes project deliverables to be met.

## 2. Strategic issues and focus areas

### Policy on housing mix

The Panuku policy on housing mix is being debated as part of a broader discussion and work programme around the council's role in urgently enabling more affordable housing to be built for Aucklanders on moderate incomes.

The draft policy on housing mix has been approved by the Panuku Board as a basis for discussion and input by the Council before finalisation. The policy affirms a clear commitment to the mixed tenure approach across our locations.

This means that Panuku facilitates residential choices, which will include social and affordable housing, wherever possible.

The draft policy will be workshopped with the Planning Committee, as requested by the Chair of the Planning Committee. A report will go to the Planning Committee seeking endorsement of the policy. The Panuku Board will then consider and approve the policy.

### KiwiBuild

Since March 2018 Panuku has met with the KiwiBuild team on a monthly basis to put in front of them a pipeline of opportunities, for their review, that could include KiwiBuild outcomes. The KiwiBuild team (including both "Buying off the plans" and "Land for Housing") has been established and moved into the Ministry of Housing and Urban Development (MoHUD).

Panuku is working with KiwiBuild to agree working protocols on how KiwiBuild opportunities will be integrated with the marketing and selection of development partners.

In the recent marketing of the opportunities in Manukau for example, we agreed in advance to include a clear indication that KiwiBuild could be part of the picture and that the Government was interested in KiwiBuild outcomes in this area. We are looking to do this elsewhere.

### 3. Highlights

Key highlights are:

#### **America's Cup - Environment Court Decision**

The Environment Court approved the resource consent for the 36th America's Cup a month earlier than scheduled. The work was led by Panuku's consenting and development team. The hearing, which was originally set down by the Court for two weeks, concluded in roughly seven hours over the span of one and a half days.

This early decision means the Wynyard Edge Alliance (WEA), formed to consent, design and construct the infrastructure for the Cup, can now progress with the building of the stage for AC36. Works expect to start at Wynyard Wharf, Wynyard Point, Halsey Wharf and Hobson Wharf.

#### **Unlock Takapuna**

##### *Gasometer car park*

A significant milestone for Unlock Takapuna is the signing of a contract with Argon Construction to build the Gasometer car park at 14 Huron Street. The construction will begin in October 2018. The multi-level car parking building will replace the car parks at 40 Anzac Street which is being turned into a mixed use development including significant public spaces. The modern building will be five storeys and will include 420 car parks as well as electric car and bike charging stations, motorbike parking, accessibility parking and bike storage with end-of-trip facilities including changing rooms and lockers. Completion is expected in mid-2020.

##### *Anzac street site*

Panuku will seek expressions of interest from potential development partners for parts of the site and design work on the town square will continue to be worked on. This follows public consultation and a representative survey both showing support for a new town square as part of a mixed use development on the central Takapuna car park at 40 Anzac Street.

#### **Unlock Henderson - Falls and Alderman car parks**

Henderson's future as an 'urban eco-centre' has received a boost with five high-calibre teams shortlisted in a global design competition to re-develop two car parks into housing.

Last year, two Henderson sites – the Falls and Alderman car parks – were nominated for Reinventing Cities, an international contest to inspire world-leading sustainable design. Reinventing Cities is run by C40, a group of cities around the world working together on climate change. Both sites have been identified for future residential development as part of plans to revitalise Henderson.

After a robust screening and selection process, these five design teams will be invited to respond to the Request for Proposal that gets underway in late September 2018. Under the Reinventing Cities rules, bidding teams had to respond to ten challenges

central to sustainable precincts – including solutions for energy, water, waste, movement, ecology and greener lifestyles.

### **Haumaru - Apartment construction**

Construction has started on the apartment development at 33 Henderson Valley Road as part of a new housing development for older people in Henderson. The four-storey building will provide 40 one-bedroom, wheelchair accessible homes with a floor area of 45sqm. The new village is expected to be completed by mid-2019 with residents moving in shortly after. We are seeking a development partner to build houses on the balance of the site.

### **Transform Manukau**

#### *Joint business case*

Panuku is working with Ministry of Housing and Urban Development (MoHUD) to prepare a joint business case with the Crown on the merits of increasing levels of investment to accelerate the development of the Transform Manukau area. This work should be completed later in 2018. Panuku is working closely with ATEED and The Southern Initiative (TSI) to coordinate the work of the three agencies as they impact on Manukau.

#### *Barrowcliffe Place*

The Barrowcliffe Place residential development for 330 homes is progressing with earthworks underway and new roads close to formation. This project involves NZ Housing Foundation and Te Akitai as our development partners.

#### *Putney Way*

The upgrade of Putney Way has been completed after undergoing a series of improvements to make it a more pedestrian friendly main street for the Manukau city centre. The construction was carried out by Auckland Transport on behalf of Panuku Development Auckland. As part of the upgrade, 10 artworks designed by local students with support from the Roots Collective have been installed on lamp posts along Putney Way to illustrate the melting pot of cultures that make up the Manukau community. The finely detailed artworks on the lamp posts depict cultural symbols and patterns specific to ten different cultures (Māori, Samoan, Niue, Chinese, Fijian, European, Tongan, Cook Island, Indian, Tokelau).

More detail information on the priority location programme is contained in **section 5** of this report.

## 4. Future outlook

Future outlook for the next quarter include:

### **New Chair of Panuku Development Auckland**

Auckland Council has appointed Adrienne Young-Cooper as the chair of Panuku Development Auckland. She brings 30 years of public sector experience and an in-depth knowledge about Auckland's housing and growth challenges. Her background in urban regeneration, property development and planning will be invaluable to the board and will complement Panuku Development Auckland's focus on rejuvenating and transforming our city centres while providing sound commercial returns for Aucklanders. The appointment will be for a three year term commencing 1 November 2018.

### **Transform Manukau - Marketing of Development Sites**

A sales campaign to attract market interest in a number of central Manukau sites commenced in mid-October. This campaign is also assisting the council with the execution of its corporate property strategy that seeks to consolidate staff in a new southern hub in Manukau. The marketing process is being led by Colliers International. The EOI process and campaign will run for 4 weeks. The subsequent competitive dialogue process will be shaped once we see the number and quality of respondents. In parallel to the market process we will continue discussions with the Ministry of Housing and Urban Development (MoHUD) KiwiBuild unit and Housing New Zealand (HNZC) regarding opportunities related to our sites.

### **America's Cup - Tenant Relocation**

The construction programme has moved to accommodate design changes, however Panuku is working to get tenants moved as soon as possible to avoid any delays.

- ASB has relocated 100 carparks successfully to Site 18. This site is now up and running and was delivered on programme in October.
- The William.C.Daldy Tug, will be moved by 1 November, to Princes Wharf West as a two year proposition.
- Rapaki, which is a Maritime Museum asset, needs to be moved from Hobson Wharf by 15 November 2018.
- Consent has been lodged for SeaLink to enable its move to 38 Hamer Street. Commercial agreements will be finalised over the next month.
- The Fishing Fleet is scheduled to move in September 2020. Further discussions have been held recently on an earlier exit to outside of Auckland which could free up the space for construction and also enable earlier construction for superyacht berthage.

### **Silo Marina**

In October, contractors started phase 1 of the works to relocate pontoons within the Silo Marina and Site 18 water space. The phase 1 works include the relocation of one

75m pontoon away from Silo in readiness for its installation as part of the AC36 works and final installation on the Halsey extension. Another 90m pontoon has been removed from the Site 18 water space and installed on the south side of Silo Marina in a position to maximise Silo's useable water space. Phase 2 includes the extension of two finger berths in Silo with the pontoons being cast shortly with the installation likely at the end of Q1 2019.

### City Centre - Civic Administration Building

The developer, Civic Lane Limited, and Panuku are working with the proposed project funders to finalise the basis of funding that will enable to project to proceed to construction. The funders have several conditions attached to their funding offer that will be addressed as they work through their due diligence processes on the transaction.

## 5. Key deliverables

The key projects currently being delivered are:

Deliverable	\$'000 YTD CAPEX/ OPEX Actual	Completed/ carry over to next quarter/ deferred	Status	Comments
<b>TRANSFORM</b>				
<b><i>Transform Manukau</i></b>	\$414k (OPEX)  \$419k (CAPEX)	carry over to next quarter		<ul style="list-style-type: none"> <li>Putney Way stage 1 completed.</li> <li>Te Haa innovation space opened.</li> <li>In negotiation with CMDHB to obtain an easement to construct a walkway and cycleway along the Puhinui stream.</li> <li>Assisting Council to assess options for the development of the Sports Bowl.</li> <li>Commenced sales campaign for a number of central Manukau sites.</li> <li>Commenced a tender to secure a central Manukau hotel development.</li> <li>Preparing a joint Business Case with MoHUD on the merits of increased investment in this area.</li> <li>Supporting Te Papa in progressing designs and a business case to support the</li> </ul>

				Te Papa Manukau.
<b>Transform Onehunga</b>	\$152k (OPEX)	carry over to next quarter		<ul style="list-style-type: none"> <li>• Onehunga Port settlement occurred on 1 October 2018.</li> <li>• The business case for Laneways was approved in July 2018. Landscape design for stage one of the project is being finalised prior to procuring for construction.</li> <li>• Waiapu Lane precinct project has been initiated. Plans are to proceed with Countdown and Auckland Transport on the precinct.</li> </ul>
<b>Transform Waterfront (Public Projects)</b>	\$1,521k (CAPEX)	carry over to next quarter		<ul style="list-style-type: none"> <li>• Continue to support integration with the America's Cup programme.</li> <li>• Pump Station partnership agreement is being finalised.</li> <li>• Karanga Kiosk opening completed in August. Staff have completed training and it is open to the public.</li> <li>• The amber indicator relates to capex tracking behind budget mainly due to projects delay in getting resource consent. More details are contained in financial section 7.2.</li> </ul>
<b>Transform Waterfront (Capital Projects)</b>	\$230k (CAPEX)	carry over to next quarter		<ul style="list-style-type: none"> <li>• Site 18 ASB car parking completed</li> <li>• West 1 Tramline removal works completed</li> </ul>
<b>UNLOCK</b>				
<b>Panmure</b>	\$33k (OPEX)  \$68k (CAPEX)	Carry over to next quarter		<ul style="list-style-type: none"> <li>• 3 Mountwell Crescent site sale - Business case approved in September. Agent has been appointed to prepare site to go to market in November 2018.</li> <li>• Project initiated for Community Precinct, Transport Precinct, Basin View Precinct, and Streetscape Upgrade.</li> <li>• Community Hub and Streetscape Upgrade projects – Social PinPoint website for community engagement completed and launched early October. The site will be open</li> </ul>

				till 5 December 2018 to invite ideas from the local community into these two projects.
<b>Avondale</b>	\$151k (OPEX)  \$18k (CAPEX)	carry over to next quarter	●	<ul style="list-style-type: none"> <li>• 24-26 Racecourse Parade (Ockham): first two buildings were completed by August 2018.</li> <li>• The third building is due to be completed at the end of November 2018</li> </ul>
<b>Henderson</b>	\$157k (OPEX)  \$47k (CAPEX)	carry over to next quarter	●	<ul style="list-style-type: none"> <li>• Auckland Transport confirmed its endorsement to transfer five car parks to Panuku for optimisation and development.</li> <li>• An art project was initiated in August.</li> </ul>
<b>Takapuna</b>	\$210k (OPEX)  \$478 (CAPEX)	carry over to next quarter	●	<ul style="list-style-type: none"> <li>• The contract for the construction of the Gasometer car park was executed on 21 September. Car park construction commenced 8 October 2018.</li> <li>• A business case for site sale on Hurstmere road was approved in September.</li> </ul>
<b>Hobsonville</b>	\$3,902k (CAPEX)	carry over to next quarter	●	<ul style="list-style-type: none"> <li>• The Mixed Use Area has now been subdivided into 4 Lots in accordance with the approved masterplan.</li> <li>• Avanda is currently on schedule to deliver key roading infrastructure in accordance with its development agreement.</li> </ul>
<b>Northcote</b>	\$156 (OPEX)  \$15.6M (Total SDF spend on ground leases)	carry over to next quarter	●	<ul style="list-style-type: none"> <li>• Continuing with scoping and development concepts as well as ongoing engagement with key partners and stakeholders.</li> <li>• The design for Greenslade Reserve stormwater retention and the 'schools edge' green way components are well advanced, and construction planning is about to commence.</li> </ul>

<b>Ormiston</b> <i>(Partner: Todd Property)</i>	\$7k (CAPEX)	carry over to next quarter		<ul style="list-style-type: none"> <li>Residential Block (Block HL) Civil works underway with estimated completion in late 2018.</li> </ul>
<b>Haumarū</b>	\$24k (OPEX)  \$2,086k (CAPEX)	carry over to next quarter		<ul style="list-style-type: none"> <li>33 Henderson Valley Road development – Construction of a new 40 unit apartment is tracking on programme. Achieved October 2018 milestone of completing ground floor structures.</li> <li>21 Henderson Valley Road site sale – Property was marketed in September through open tender process and due to close on 17 October.</li> <li>81A Godley Road – Conceptual redevelopment scheme presented to Whau Local Board and received positive support for new housing for older people on the site.</li> <li>Greenslade Court – Project initiated to assess redevelopment options to improve the provision of social housing for older people on the site.</li> </ul>
<b>Papatoetoe</b>	\$21k (OPEX) \$79k (CAPEX)	carry over to next quarter		<ul style="list-style-type: none"> <li>Car park upgrading works were tendered on 16 July with work to commence shortly.</li> <li>Physical works for 63-65 George street, Papatoetoe (Shopping Mall) have been completed.</li> </ul>

## 5.1 Key deliverables for next quarter

Deliverable	Comments
<b>TRANSFORM</b>	
<b><i>Transform Manukau</i></b>	<ul style="list-style-type: none"> <li>• Continue with the Joint Programme Business Case with the Crown.</li> <li>• Developing a regeneration strategy for Puhinui Stream with Healthy Waters.</li> <li>• Developing a refreshed development plan for Hayman Park with Community facilities and Healthy Waters.</li> </ul>
<b><i>Transform Onehunga</i></b>	<ul style="list-style-type: none"> <li>• Final design for Laneways to be approved by Mana Whenua.</li> <li>• Mana Whenua engagement plan confirmation by the end of October.</li> </ul>
<b><i>Transform Waterfront</i></b>	<ul style="list-style-type: none"> <li>• Start procurement of civil works contract and marina pontoons for marina project.</li> <li>• Commence contract works for the Vos Shed Restoration Stage 1.</li> <li>• Signing of Development Agreement for Site 18.</li> <li>• Works for Willis Bond's West 1 (30 Madden street) development site commence in October.</li> <li>• Signing of partnership agreement for Pump Station.</li> </ul>
<b>UNLOCK</b>	
<b><i>Panmure</i></b>	<ul style="list-style-type: none"> <li>• 3 Mountwell Crescent site sale – confirm preferred development partner to reach a conditional agreement.</li> <li>• Community Hub – Review community engagement feedback. Collaborate with Community Facilities team to progress the Community Needs Assessment.</li> <li>• Streetscape Upgrade – Review community engagement feedback. Progress Indicative Business Case for the Streetscape upgrade project.</li> <li>• 1 and 3 Kings Road – Project to be initiated to assess redevelopment options for both sites in collaboration with the local board and Community Facilities team.</li> </ul>
<b><i>Takapuna</i></b>	<ul style="list-style-type: none"> <li>• Business case for the Anzac street site expected to be approved by the end of October.</li> </ul>
<b><i>Avondale</i></b>	<ul style="list-style-type: none"> <li>• Avondale Central: 1909-1949 Great North Road expected to go to market in February 2019.</li> </ul>
<b><i>Hobsonville – Airfields</i></b>	<ul style="list-style-type: none"> <li>• The Mixed Use Area “Go to Market” sales strategy to create employment outcomes will be developed with HLC (Homes Land Community).</li> </ul>
<b><i>Northcote</i></b>	<ul style="list-style-type: none"> <li>• Continue process of progressing a commercial partnership opportunity for comprehensive, integrated town centre redevelopment.</li> </ul>

	<ul style="list-style-type: none"> <li>To obtain resource consent for the greenway.</li> </ul>
<b>Haumaru</b>	<ul style="list-style-type: none"> <li>33 Henderson Valley Road development - Continue to closely monitor the construction programme and critical milestones to reach practical completion by mid-2019.</li> <li>81A Godley Road – Progress with business case.</li> <li>Greenslade Court – Assess redevelopment options to improve the provision of social housing for older people on the site.</li> </ul>
<b>Papatoetoe</b>	<ul style="list-style-type: none"> <li>Initiation of The Depot is scheduled in October.</li> <li>Business case for Town Square, Bowling Green and Tavern Lane to be presented to the Project Sponsors group in October.</li> </ul>

## 6. Development budget and Strategic Development Fund

### 6.1 Development budget

On an annual basis, Council approves a budget before deferrals sourced from property sale proceeds to cover investigatory activities and value-adding capital works on properties prior to development or sale. The 2018/19 budget has been split between \$6.1m for operational expenditure and \$2.8m for capital expenditure.

\$000	Full year Budget	Forecast	Actual Expenditure	
<b>Development Expenditure</b>				RAG*
Development capital expenditure	\$2,762	\$2,762	\$300	
Development operating expenditure	\$6,132	\$9,269	\$1,448	

The forecast capital expenditure of \$2.8m relates to value add activities across our priority locations. These include site decontamination, building demolition, subdivision, preliminary design, vendor due diligence.

Forecast operating expenditure relates to detailed programme business cases prepared for all of the priority locations. This is \$3.1m higher than the budget and as part of the FY 17/18 deferral process we have requested an opex carry forward of \$3.1m.

## 6.2 Strategic Development Fund

\$000	Full year Budget	Actual YTD	Comments	
<b>Strategic Development Fund</b>				RAG*
Development capital expenditure	\$54,750	(590)	\$2.1m of the fund was repaid in September. In the first week of October the Onehunga Port purchase from Ports of Auckland Limited (POAL) for \$17.8m was made.	

The Strategic Development Fund is available for land acquisition and capital improvements for sites which will benefit from short to medium term investment and return both financial and non-financial outcomes.

## 7. Financial performance

The following tables and section provides an overall financial summary covering all Panuku Development Auckland's activities.

### 7.1 Operational

For the quarter ended 30 September 2018

\$'m	Budget YTD	Actuals YTD	Variance YTD	Full year budget	Full year forecast	Variance
<b><u>Operational</u></b>						RAG*
Revenue/External funding	8.5	8.6	0.1	35.4	35.5	0.1
AC funding	6.0	5.8	(0.2)	48.2	48.2	0.0
Expenditure excluding depreciation	12.7	12.1	0.6	46.6	46.7	(0.1)
Fair value decrease / (increase) on investment property						

<b>Depreciation</b>	2.1	2.0	0.1	8.5	8.5	0.0
<b>Tax</b>						
<b>Net Surplus/(Deficit) After Tax</b>	(0.3)	0.3	0.6	28.5	28.5	0.0

\*RAG Status:

- Green** - Performance on target or better
- Amber** - Target may not be met, corrective action taken
- Red** - Target may not be met, action required

The Net Surplus After Tax is \$0.6m higher than budget year to date.

Revenue and External funding was \$0.1m ahead of budget due to the property rental income for several properties that were expected to be vacant and changes in the Wynyard Quarter as a result of America's Cup 36 still being tenanted for the 1<sup>st</sup> quarter.

AC funding is (\$0.2m) unfavourable compared to budget. This is due to small number of capital projects being behind budget resulting in a slower than anticipated draw down of funding from Council.

Expenditure excluding depreciation is \$0.6m favourable compared to budget due to the following;

- a. (\$0.2m) increase in rates costs, due to increases in valuation. The rates in the Wynyard Quarter have increased more than the budgeted 3.5%.
- b. \$0.3m saving in consultancy cost, this is a timing difference and will be corrected by year end.
- c. \$0.2m saving in placemaking and marketing costs, this is a timing difference and will be corrected by year end.
- d. \$0.3m saving in people costs, there are a number of vacancies that have either been recruited in the last month or there is still ongoing recruitment.

Depreciation is \$0.1m favourable compared to budget; this is due to slower than anticipated capitalisation of assets from both the prior and current years.

## 7.2 Capital

**For the quarter ended 30 September 2018**

\$'m	Budget YTD	Actuals YTD	Variance YTD	Full year budget	Full year forecast	Variance
<b>Capital</b>						
<b>Expenditure</b>	5.3	1.8	3.5	57.2	44.2	(13.0)

<b>AC funding</b>	1.7	1.5	0.2	30.2	23.2	(7.0)
<b>External funding</b>	3.6	0.3	3.3	27.0	21.0	(6.0)

Year to date capital spend was \$3.5m behind budget due to the following:

- a. AC Funded spend was \$0.2m behind budget, this is made up of a number of projects. The most notable being \$0.1m timing difference in the Vos Shed redevelopment, a contractor is being appointed this month. We have forecast down the Westhaven Promenade Stage 2 (\$7m) as the resource consent will not be lodged until November and we anticipate extended consultation with a possible construction start date of May 2019.
- b. External funded/commercial projects is currently \$3.3m behind phased budget. \$1.5m is in relation to Contamination costs paid to Development Partners in the Wynyard central sites (Willis Bond and Precinct). These payments are made when requested by the developer after decontamination work is completed and depend on the construction progress on their sites. Construction is starting to get underway so we anticipate payments in quarter 2.

The Pile Mooring redevelopment project has applied for resource consent, and there is a hearing at the end of October 2018 (\$1.0m behind phased budget). Assuming the results of the hearing are in our favour, construction will start in the second half of the year. The Viaduct Wave Attenuation project is \$0.9m behind phased budget, this project will now be delivered by the AC36 Alliance.

The Westhaven Marine Centre project requires further consultation with Marina Berth Holders as the development impacts on their car parking and the current consent expires in November 2018. The re-application process could cause this project to be further delayed with a possible construction start date in April 2019 as a result we have reduced the forecast by \$6m.

## 8. Key performance measures

The table below shows the result of Panuku's key SOI performance measures for the quarter.

Measure	Year-end target	Achieved? (RAG Status)	Last Actual
8. Written evidence that opportunities have been identified and assessed, to be progressed or not.	At least 100 opportunities identified and assessed		24 opportunities have been identified and assessments completed.
9. The net surplus on the property portfolio achieves the annual budget agreed	Net Surplus achieves budget for 2018/19		Actual net surplus to date is \$6.9m (\$0.3m)

Measure	Year-end target	Achieved? (RAG Status)	Last Actual
with council.			above budget).
10.For those properties available for rent: The rolling average over a 12 month period, of % occupancy at each month end (LTP).	The average of monthly % occupancy for the year is 95% or more		The average monthly occupancy is 97%.
13.List of properties recommended for disposal submitted to Council.  The disposal target for the next financial period will be agreed with Council in the current financial period.	A list of recommended properties with a total value agreed by the Board the prior year totalling \$30 million gross value will be submitted to Council seeking approval to dispose for 2018/19 financial period.  A recommended for disposal target for 2019/20 will be agreed by the Board in the 2018/19 financial period.		\$4.8m worth of properties have been recommended to date.
14.Achieve total forecast net sales for the financial year through unconditional agreements.  (Annual actual asset sales may fluctuate between years)	Meet or exceed forecast Property disposal annual target of \$24 million or progress the achievement of the 3 year cumulative LTP sales target of \$72m		\$24.5m unconditional sales have been achieved in the year to date.
15.Acquisitions are delivered within the timeline agreed with Auckland Council.	80% satisfaction against agreed service performance measure		100% of acquisitions were delivered within agreed timeline. Seven acquisitions in the year to date.

## 9. Annual performance measures

The table below details Panuku's other SOI performance measures that are reported annually at the end of the financial period.

Measure	Year-end target	Last Actual
1. Transform and Unlock location initiatives completed.	90% or more of planned Transform and Unlock initiatives completed/ achieved. A list of location initiatives for the 2019/20 year will be agreed by the Board in the 2018/19 financial period.	Annual Target
2. Percentage of attendees surveyed satisfied with key Transform and Unlock place programmes and activities	Set baseline	Annual Target
3. Percentage of visitors surveyed satisfied with their experience of the public spaces on the city or town centres (LTP)	80%	Annual Target
4. Percentage of Aucklanders surveyed who have visited the city or town centres in the past year (LTP)	73%	Annual Target
5. Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)	88%	Annual Target
6. Number of significant Māori initiatives implemented or active per annum (LTP)	50	Annual Target
7. % Mana whenua groups satisfied with quality of engagement	Set Baseline	Annual Target
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). Panuku is committed to continuously review and improve the ROI target over the term of the SOI.	Greater than or equal to 2.25%	Annual Target
12. Return on Equity on commercial assets and services (LTP) at Waterfront.	8.25%	Annual Target

## 10. Contribution to Māori outcomes

The table below shows Panuku's progress on SOI projects and initiatives contributing to Māori outcomes.

Key project and initiatives	Description	Progress
<p>1. Achieving better outcomes for and with Māori</p>	<p>Collaborate with Māori to identify priority outcomes, agree shared strategic objectives, and develop a way forward through the Māori outcomes framework approach by end of Quarter one. Following endorsement of the Mana Whenua Outcomes Framework an implementation plan will be developed.</p> <p>Continue to work with the council whānau to optimise the governance for engaging with Māori across the council group.</p> <p>Develop and implement a work programme which responds to the findings of the IMSB 'Assessment of expenditure incurred by Auckland Council to deliver Māori outcomes'.</p> <p>Develop and implement a work programme which responds to the findings of the 2018 IMSB Treaty audit.</p> <p>Support and develop initiatives which strengthen relationships with Māori, including engagement opportunities through governance forums that will significantly lift Māori social and economic wellbeing. Foster positive and productive relationships between Council and Māori 17 kaitiaki.</p> <p>Work with the council whānau to streamline engagement and provide an improved approach which reflects the preference of Mana Whenua.</p> <p>Include KPIs and appropriate measures, as included in the Māori outcomes framework, or align with recommendations in the IMSB</p>	<p>In working towards our first commitment of shared strategic outcomes we have co-designed a Mana Whenua Outcomes Framework ("the Framework") with the Mana Whenua Kaitiaki Forum (MWKF). The Framework provides a key milestone in understanding where Mana Whenua see the potential to leverage Panuku opportunities.</p> <p>It identifies outcomes desired by both Mana Whenua iwi, hapu and Panuku. It also includes measures to enable monitoring and reporting against progress and outcomes achieved.</p> <p>The Framework was endorsed by the MWKF hui on 20 September. Further, the Forum adopted a work programme that includes an intention to work with the council group to develop similar Māori Outcomes Frameworks for each CCO and key council areas. The Forum is also taking a wider benefits approach that is inclusive of all Māori, rather than a single focus on Mana Whenua. The Panuku board and ELT will have an opportunity to review the Framework, with a Rangatira and board hui to be scheduled at a later date, potentially in November.</p> <p>Panuku is making considerable effort to ensure we have a strong outcomes focus in order to align with the direction of council.</p> <p>Priority outcomes identified by council include Marae Development, Kaitiakitanga (wai), Reo Māori and Māori Business, Tourism and Employment. These priorities are in addition to capacity building and effective engagement.</p>

Key project and initiatives	Description	Progress
	<p>expenditure and Treaty audit. Reports to identify progress across the organisation in delivering positive outcomes for Māori.</p> <p>Reaffirm our commitment to Te Toa Takitini, noting that council has taken a lead role to refine the programme and will seek support across the council family to deliver.</p>	<p>Panuku is mindful of the stretch on mana whenua resources so is looking to streamline our engagement to be responsive to this korero. As well as internal business improvement efficiencies we are working through Te Hoanga towards an effective integrated model of mana whenua engagement.</p>
<p>2. Enabling Māori commercial development opportunities</p>	<p>Understand and develop the spectrum of Māori commercial development opportunities available across the organisation.</p> <p>Collaborate with Māori to enable investment in commercial and housing opportunities.</p> <p>Collaborate with Mana Whenua to identify priority development opportunities based on Panuku 1-3 year programme business cases.</p>	<p>A focus this quarter was for us to work with Mana Whenua to better understand how we can actively 'enable' commercial opportunities, rather than just offer them through a business as usual approach. We are looking specifically at when and to what extent we can use our levers to directly influence an uplift in Māori social and economic well-being.</p> <p>We looked across the whole business to better understand where we could enable commercial opportunities. Direct and social procurement emerged as a potentially significant lever that Panuku can use. Work began to review the current procurement policy framework and processes with a view to driving broader value-added outcomes. The aim is to ensure that Māori businesses are enabled to participate in our processes, and that the Panuku team understand how to consider and incorporate Māori business into their day to day mahi.</p> <p>Secondly we also looked to our "Selection of Development Partners Policy" to see how we can enable specific development or disposal projects that engage Māori interests.</p> <p>Lastly we identified the need to work on organisational targets and measures to monitor and drive strategic outcomes over the next quarter.</p> <p>We held a governance workshop in August to share information on what commercial development opportunities we have in our 12 month pipeline. The proactive line of</p>

Key project and initiatives	Description	Progress
		sight is a simple yet effective improvement in how we work with Maori in this space.
3. Celebrating the Māori cultural footprint in design, the natural and urban environment, and broader social outcomes	<p>Continue to facilitate Māori identity innovations and opportunities through priority location and public realm projects.</p> <p>Work with the council whānau to implement the Te Reo Policy in 2018-19, including developing a work programme which includes tangible actions within existing project budgets.</p> <p>Panuku will report on opportunities across housing, rangatahi and kaitiaki outcomes in the quarterly reports.</p> <p>Promote Māori identity through initiatives such as naming new streets, laneways, buildings, signage, communications, art and landscaping.</p> <p>Placemaking will work from a kaupapa Māori foundation to deliver positive outcomes for Māori across the region. Placemaking have developed a Rangatahi programme with Mana Whenua which will be implemented in Quarter one.</p>	<p>Panuku's remit provides a significant vehicle to celebrate Maori culture across the region. Work continues with Mana Whenua and matawaka to help create a distinctly South Pacific city with a Maori identity.</p> <p>Panuku has been collaborating with Mana Whenua to complete the "Panuku Placemaking Guidelines", to help guide our practice in placemaking across Panuku Transform and Unlock sites. Going forward, our placemaking approach will work from a kaupapa Māori foundation to deliver positive outcomes for Tamaki Makarau and importantly Māori across the region, as well as supporting a place-led approach based in indigenous knowledge for Panuku placemaking areas. The Guidelines and specifically the Values/Nga Pou Herenga have provided the basis for a short form "Panku Placemaking Handout" which is now being actively used to communicate and inform our approach. This document has been well received by local collaborators, internal staff and international leaders alike.</p> <p>Our Rangatahi Pilot project – He Pia He Taura, has proven very fruitful in terms of being a basis to explore best practice placemaking processes alongside, and in collaboration with, the Panuku Project Steering Group. Recently our nominated Rangatahi had the opportunity to attend a workshop with Matua Rereata on the growing practise of working with the Maramataka in terms of both our working and personal lives. We have decided to extend the programme out to 2021, to both ensure a robust period of development for the project as well as to align potential AC36</p>

Key project and initiatives	Description	Progress
		placemaking opportunities with our Rangatahi activity and learning.

Initiative	How it contributes to Maori outcomes	Spend to date \$000	Full Year Budget \$000
<b>Maori engagement</b>	Improves public space and activities through input from Iwi	\$65	\$323
<b>Maori technical/specialist advice</b>	Ensures that public spaces and developments respect and reflect Maori culture and history.	\$46	\$250
<b>Development Projects</b>	Maori related expenditure spent on Panuku's development projects	\$46	
<b>Maori koha</b>		-	\$5
<b>Commercial Advisory Fund</b>		-	\$100
<b>Total</b>		<b>\$157</b>	<b>\$678</b>

## 11. Key Local Board issues

### Local Board

#### Requests to add new town centres

As our work to shape spaces for Aucklanders to love grows we are asked to add new locations to our work programme by Local Boards. Following a specific request from the Finance and Performance Committee in March to consider additional centres and areas for inclusion in the overall Transform area. We commenced an internal review process to assess our current programme and commitments, with a particular focus on development opportunities in certain town centre locations. Whilst there are many town centres across Auckland that are worthy of investment we need to manage specific requests and expectations carefully as our work programme and confirmed three year budget is already full.

We are committed to working openly and transparently with the local boards on this topic and invited the Local Board chairs to discuss this topic with the Planning Committee in July. We also attended a number of Local Board cluster workshops to

provide clarity over our review process and conclusions based on what are essentially a new set of drivers since we were established in 2015, such as:

- Government's Urban Growth Agenda – new Ministry and Housing Commission etc
- Auckland Housing Programme – HNZC land
- KiwiBuild Affordable Home Ownership Programme
- ATAP - \$28 billion of investment in transport – including LRT
- Unitary Plan adopted
- Updated Auckland Plan Development Strategy – Implementation Plan to be developed
- Council LTP 2018-2028 adopted and Panuku 3 year budget set.

Given this changing context we consider that decisions on our programme should be based on new criteria as follows:

- The location is a government priority (years 1-10) and we have been invited to partner
- Alignment with Auckland Plan Development Strategy
- Council (or Crown) land holdings of a sufficient scale to make an impact
- Crown funding is available (for acquisitions, amenity or place-making), if limited Council
- Surplus land for redevelopment
- Demonstrable market interest and demand.
- Aligned with public transport and planned investment.

### **Questions about Reinvestment**

A discussion emerged over this period regarding the Council approved reinvestment approach for our Priority Location programme. We are working hard to ensure we work in a no surprises environment with the Local Boards as they query the mechanics of this approach. Simply put we know that without reinvestment Panuku cannot advance the significant regional programme to help implement the Auckland Plan development strategy and this is a transparent and ongoing conversation with Local Boards.

The recent conversations reinforced the continued need for Panuku and Local Boards to strike a delicate balance between strategic and financial outcomes. We remain transparent that the reinvestment of sales proceeds within Transform and Unlock is enabled to fund the urban regeneration programme for years 1-3 LTP, provided sales target are met which is increasingly challenging in the changing market environment

We also look forward to consulting with Local Boards on what new funding tools (for all locations) can be advanced in the future.

### **Takapuna**

We reached a significant milestone for Unlock Takapuna in September with the decision to proceed with the change of use for the 40 Anzac Street carpark. The decision followed a period of consultation and a hearings panel to independently analyse the submissions received and to hear from any submitters that wished to speak.

A working group is being set up with the local ward Councillors and Chair and Deputy Chair of the Devonport-Takapuna Local Board to work on the design of the town square and development of the residual areas of 40 Anzac Street and 30-38 Hurstmere Road.

The significant feedback provided through the consultation period for the future plans will be incorporated as the plans for the site are progressed.

As we look forward to the next chapter for this project we are looking to work productively and collaboratively with the Devonport-Takapuna Local Board. One of the tools we will use to crystallise our partnership with these local governors is to agree a Terms of Reference (TOR) that will guide our collaboration. We are looking to get our board to ratify the TOR and seek closer governor to governor relationships going forward.

### Improving relationships

The focused action plan, designed to help us improve our working relationships with boards across the region was firmed up this quarter. The plan looks to mitigate the constant challenges we face with local boards to ensure momentum is maintained across our work programme, to recap the challenges include:

- Building trust and confidence as a relatively new organisation
- Being the change agent in established communities
- Asset sales

The business wide action plan will be taken to the Local Board Services lead team for their input in November.

## 12. Risk management

Top five organisation risks for quarter 1 ending 30 September 2018:

Rank	Risk	Risk Level and Movement
1	<p><b>America's Cup (AC36)</b></p> <p>Risks relate to the relocation of key tenants e.g. SeaLink, Sanfords;</p> <p>Awaiting approval of additional budgets at 17 October Auckland Council Finance and Performance Committee.</p>	No change to last quarter
2	<p><b>Information Security</b></p> <p>There has been an increase in phishing emails within council and global increase in information-attacks/scams. The procurement for a council wide exercise relating to phishing emails will be completed shortly.</p> <p>The Information Awareness Training Module will be released shortly to provide e-learning.</p> <p>Heightened awareness follows further media coverage of cyber-attacks.</p>	No change to last quarter
3	<p><b>Interdependencies and stakeholder management</b></p> <p>Project misalignment with key stakeholders including council, AT, Mana Whenua and Iwi.</p>	No change to last quarter

	Improvement on interdependencies has been offset with specific relationship stress points with some stakeholders.	
4	<p><b>Resources</b></p> <p>The resource market remains tight with a shortage of skill sets in the property, development and project management fields. Recruitment currently underway for 20 roles, roughly 10% of our staff base.</p>	No change to last quarter
5	<p><b>Construction environment</b></p> <p>The recent financial collapse and woes of some building contractors has highlighted some fragility in the market and the need for greater due diligence in the tender processes.</p> <p>Over the last quarter, the property market has continued to harden but this has not be sufficient to raise the risk level at this stage.</p>	No change to last quarter

## Organisational Risks

### Key movements from quarter 4 FY2017/2018

A positive aspect of quarter 1 was the Environmental Court's granting of consents for the team bases for AC36. This has been a major achievement for the Panuku team and key stakeholders.

Much progress has been made in the relocation of tenants to alternate sites including parking for ASB. Difficulty is being experienced with the moving of the 'William C Daldy', the 'Kestrel' and 'Rapaki' in particular due to their poor seaworthy condition.

Physical works programme has started on Site 18 (ASB car park) from 3 September. Panuku is working closely with the Wynyard Edge Alliance in managing risks going into the construction phase.

The AC36 projects also impacts on the Wynyard Quarter projects and involve Auckland Transport (AT). Panuku are coordinating the risk management with AT and Western Edge Alliance to ensure that interdependent risks are managed and mitigated.

Information security remains high with Council's ICT Security team reporting a number of phishing email attacks on council email users. An article has been published on the council intranet site warning of phishing emails, and Panuku is taking further measures to inform and train staff.

Workforce planning and a People Strategy are objectives for FY2018/2019. This will ensure a skilled workforce by recruiting the right skillsets and providing further training from within the workforce. The strategy includes having performance and development plans and midterm performance and development reviews.

The construction environment remains cautious following the demise of construction companies and poor financial performance of others. Additional due diligence is being exercised as we procure contractor services.