

7 May 2019

Mayor Phil Goff
Auckland Council

Via email: Phil.Goff@aucklandcouncil.govt.nz

PROPOSED TRANSFER OF WATERFRONT ASSETS

Thank you for the opportunity to discuss the proposed transfer of waterfront assets with the Finance and Performance Committee at the workshop on 31 January 2019. This letter sets out the views presented at the workshop and raises a number of important operational matters.

Panuku Board view presented at the workshop

The ownership of the land, wharves, open space and control of waterspace has been fundamentally important to Waterfront Auckland and now Panuku, as an agent for Auckland Council, to allow it to deliver urban transformation programmes with efficiency and to be able to capture the value up-lift from these developments to re-direct into new projects.

Ownership of the waterfront property has made the Panuku Board accountable for the assets on our balance sheet and therefore provided transparency of the waterfront development to the public. It has ensured that Panuku is able to provide leadership and effectively drive the council's vision for urban transformation of the waterfront, to stay on track and establish clear and long-standing relationships with credible development partners.

The waterfront assets are complex, in particular Westhaven marina. Development of the waterfront remains as complex and challenging as it ever was – a highly contested space with a large number of activities and uses to be successfully accommodated and managed. There is a significant development programme underway, many on a critical path for America's Cup (AC36).

The Wynyard Quarter has been transformed. Significant progress has been made and a large number of projects have been successfully completed since North Wharf, Silo Park and Karanga Plaza and the bridge were opened for Rugby World Cup in 2011. This includes

- Mana Whenua waterfront goals; significant engagement and growing opportunities
- Major commercial deals with leading businesses – ASB, Willis Bond, Precinct Properties, Fu Wah, Orams etc.
- We have 300+ new residents. 1500 construction workers daily.
- Beautiful award-winning public spaces and retained character, attracting 2 million visitors per annum and receiving 95% public satisfaction
- Leading on sustainability – water sensitive design, sustainable buildings and active transport, contamination
- Maintaining the character of the working waterfront, enabling marine industry growth.

Panuku has been the “holder of vision” – from planning and concept, through development and operations. Placemaking and property management are part of Panuku mandate.

Panuku understands the issues facing the shareholder and supports transferring the completed development assets, future development sites, and completed public realm. It makes sense to transfer completed assets that have no further development opportunity, noting that Panuku will have to work closely with development partners to provide assurance that nothing significant will change.

Panuku has raised the option to leave intact the working waterfront assets – marinas – land, waterspace, wharves, in Panuku ownership. Westhaven marina was acquired for the people of Auckland to remain in perpetuity. It is not intended to be sold. Panuku is implementing the Westhaven Plan. A lot is underway to build commercial value and to leverage strategic value/public access and amenity (such as the pile mooring project and Westhaven Promenade). Panuku is well placed to ensure this balance.

Furthermore, there is a complexity of trusts and legal obligations and significant and complex issues in regard to the berth leases which terminate in 2025/2029. The real value is in the future – berth holder leases, pile mooring development future stages, new public spaces.

Panuku ownership and role is respected (in spite of the advocacy of lobby groups) and we get good support from marina users (92% overall satisfaction) and the public. It is a world class and award-winning marina.

Operational matters

Panuku acknowledges that the ownership of assets and the risks and benefits of transfer are of significant interest to the shareholder and recognises that this is a decision for the shareholder to make following public consultation.

The Panuku Executive is working closely with the council team to prepare for the proposed transfer. It will be essential that there be a seamless change to our authority and Panuku is empowered to deliver its purpose and enable to operate its key functions and activities at the waterfront, through appropriate delegations from the shareholder.

Panuku has received legal advice on the issues and risks involved in the proposed transactions and is forming a view on governance requirements to support a smooth transfer, and to ensure Panuku remains solvent and able to continue to operate under all circumstances.

It is our understanding that the intention of council is for Panuku to continue to lead the development of the Auckland waterfront in a way that is consistent with the Waterfront Plan 2012, balancing commercial and public good objectives, including high quality urban design, as set out in our purpose.

We further understand the Governing Body will pass resolutions that enable Panuku to meet its purpose statement and lead the planning, development, management of assets and place activation and continue to deliver the same level of service.

The following areas have been discussed with the council legal team and have been accepted in principle:

- Council will assume all liabilities in connection with the assets being transferred.
- The major transaction resolution by council will record that the transaction is in accordance with Panuku's constitution and the role of Panuku as a CCO.
- Council will make Panuku whole for any unexpected liabilities Panuku incurs after completion, and as a direct result of the transaction, for example, tax.
- When managing the transferred Waterfront assets for council, Panuku will provide a seamless continuation of service to customers and operate the waterfront assets in the same vein as when they were under Panuku ownership, in terms of a custodial approach for investment and renewal. This model is similar to the model Panuku have for existing Transform and Unlock locations where they do not own the assets. That is, they will continue to collect income on behalf of council and incur operational expenditure within the agreed budgets. As well as, capital reinvestment and

investment which may be funded by Panuku out of the assets, their income or additional investment in the Waterfront as approved by the Council in the LTP and Waterfront plan.

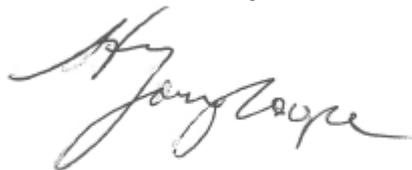
- In order to maintain momentum, protect existing commercial partnerships and stakeholder relationships, reduce the risks and set out the management arrangements, Panuku will need a full set of enhanced delegations from Auckland Council at the time of transfer, if it occurs.
- To address any matters related to solvency at the time of the transaction Panuku will require a letter of comfort, similar to the one dated 30 June 2016, be given by Auckland Council to the directors of Panuku.

It is our view that the transaction should be contingent on an acceptable binding ruling from IRD. We understand the IRD issued a final binding ruling on 18 April. The Panuku board is comfortable with the two matters that have been ruled on, noting the outstanding issue is for Auckland Council.

Finally, we understand that the proposed transfer of assets may trigger Viaduct Harbour Holdings Limited (VHHL) first right of refusal related to the waterspace in the Viaduct Marina area. Panuku is seeking further advice from Auckland Council and our legal team regarding these assets.

We look forward to an ongoing dialogue as this matter is resolved and executed.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrienne Young Cooper', written in a cursive style.

Adrienne Young Cooper
Board Chair
Panuku Development Auckland