

**Panuku Development Auckland**  
**Quarterly Report**  
**Quarter ended 30 June 2017**

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## 1. Executive summary

We look back with pride on what we have achieved in the past year. Sometimes on the long journey that is urban regeneration we forget the significant milestones that have been ticked off.

At the Wynyard Quarter, the ASB Waterfront Theatre was opened in September and the re-purposed historical Mason Bros building was completed in December. We now eagerly await the arrival of the first residents in Wynyard Quarter later this year, as well as watching the Park Hyatt Hotel emerge from the ground.

Across our other key development locations, our first Framework Plans were completed for Manukau and Northcote, while the over-arching plans for Onehunga, Old Papatoetoe and Henderson were also approved by the Planning Committee.

In February we confirmed Avanda Group as the housing developer for more than 500 homes in stage two of the Airfields precinct at Hobsonville Point. Just months later AV Jennings were underway with the building of the first of the 102 homes in stage one.

As the year ended, the Haumaru Housing joint venture was up and running to manage the council's Housing for Older People as we start to develop the portfolio to ensure the homes better meet the needs of older Aucklanders.

Looking offshore to help Panuku move forward, we hosted an investment forum in Shanghai in May in conjunction with the mayor's office.

From a financial perspective, Panuku exceeded its key financial targets this year, both with our managed properties and overall as an organisation.

Some of the standouts this year include exceeding our disposals target of \$50 million by \$26.8 million or 53 per cent. The property portfolio also returned a net surplus of \$32.3 million to council (\$1.1 million above budget).

Other financial highlights are additional surpluses of \$1.7 million for marinas and \$1.4 million for business interests (quarries, landfills and forests).

Overall, it has been a very busy year, and Panuku is equipped to continue to move forward at pace and scale.

We are delighted to see Team New Zealand win the America's Cup and with it the rights to host the next event, with potential benefits for the waterfront.

Major events are a great catalyst for getting developments fast-tracked as we've seen with the birth of the Viaduct Harbour for the 2000 America's Cup defence and the redevelopment of North Wharf for the 2011 Rugby World Cup.

It certainly puts a spring in our step on the long journey of regeneration. While there's no denying there's still plenty of work to do and plenty of funding to secure, we believe

Panuku is in a strong position to deliver and make a real difference by catalysing urban development across Auckland.

The establishment of Panuku by merging Auckland Council Property Limited and Auckland Waterfront Development Agency together has gone extremely well. Panuku continues to do the good work of its forerunner agencies, and now has the critical mass it needs to have an even greater impact on urban development in Auckland.

## 2. Strategic issues and focus areas

LTP 2018 - 28 process is a key strategic activity for Panuku that is progressing as it will determine its priorities and budgets for the ten years starting July 2018.

Funding for projects is a priority issue for Panuku, especially the reinvestment of property sales proceeds to fund regeneration in locations. There is a need to invest in public amenity in Transform locations and selected Unlock locations to help create more appealing residential precincts.

Coordination of activity across Council agencies is another strategic challenge. Panuku is dependent on other Council agencies to fund and deliver projects that support its regeneration goals. Integrating plans, coordinating work, and ensuring on-time delivery of infrastructure works across the Council family is an ongoing challenge for Panuku.

## 3. Highlights for the year

Over the year, Panuku achieved key project milestones and performance results:

### Transform

The **Wynyard Quarter** is undergoing rapid change both commercially and residentially, with thousands of Aucklanders using this space every week, while regeneration is just beginning in Manukau and Onehunga.

- The ASB Waterfront Theatre officially opened on 22 September. Developed by Hawkins Construction and home to the Auckland Theatre Company, the theatre seats 650 people and has a 5 Green Star rating.
- The first three phases of structural steel have been installed at the Park Hyatt Hotel. All up, approximately 2000 tonnes of primary structural steel will be used to construct the luxury five-star hotel, which will span a total area of 37,000sqm.
- In April 2017, Mayor Phil Goff officially opened the Mason Bros. building, a former industrial warehouse that has been redeveloped into a three-level office space, bringing together a community of entrepreneurs and businesses. It is the centrepiece of Wynyard Quarter's innovation precinct.
- Developer Willis Bond is constructing 500-600 apartments of various types and sizes that are set to house around 1100 people. There are two developments

currently under construction, Wynyard Central and 132 Halsey. The first residents are expected to move in from September 2017.

- The Water Edge symposium was hosted by Panuku in November 2016 and brought together waterfront development leaders from 16 international cities to exchange knowledge and strengthen the network of industry leaders.
- In June, Panuku handed over to Regional Facilities Auckland (RFA) the management of the Queens Wharf facilities, including Shed 10 and The Cloud. Panuku continues to lead the delivery of place making and the future development of the wharf.

**Transform Manukau** was the first location to have a Framework Plan completed, outlining the five key moves for the project and the vision for Manukau in 2040. We are aiming to get the first housing site underway soon at Barrowcliffe Place. Public realm projects anticipated to start next year include the Council's Hayman Park Playground and Putney Way street improvements in conjunction with the new bus station is targeted for completion by May 2018. Panuku is also exploring with the Scentre Group on how the shopping mall's future development could relate to and interface with the town centre.

Plans to **transform Onehunga**, on a similar scale to Wynyard Quarter and Manukau, were approved in late March. These plans were completed involving significant consultation with communities. Panuku is leading the redevelopment of strategic council-owned land, and works in partnership with the Government and others, to deliver positive outcomes for the local community. The Board of Inquiry relating to the East West link is currently going through a hearing process. A draft decision is expected to be made in October and will be finalised in November. This will contain numerous conditions of consent. Once the decision is known, Panuku can advance planning on the Onehunga wharf and foreshore precinct.

## **Unlock**

- In **Takapuna**, Auckland Council owns nearly four hectares of land focused around the Anzac Street carpark and the Gasometer site, consultation on redevelopment of these sites has started.
- In **Northcote**, we completed a Framework Plan in November that outlines the initial proposals for the town centre. An information kiosk was also opened by Homes Land Community in April. The town centre masterplan and the Awataha Greenway masterplan is targeted for completion in December 2017 and the acquisition of strategic leasehold interests in the town centre are continuing.
- Plans to repurpose the iconic **Civic Administration Building** in Aotea Square into high quality apartments and develop the surrounding area were announced in September 2016, apartment sales are progressing well.
- **Hobsonville** 20ha Airfields site - stage one of construction of 102 standalone and terrace homes is underway. Avanda Group have been announced as the developers that will deliver more than 500 homes in stage two, of which a minimum of 10 per cent will be affordable housing.

- The council's Planning Committee approved the over-arching plans to redevelop **Old Papatoetoe** in June. Panuku is leading the redevelopment of the mall, a 2.5ha block of land, which will see the area opened up with a new plaza space, reconfigured shops, upgraded carpark and a revamped New World supermarket. In addition to the upgrade of the mall which is expected to be completed early next year, approximately 110 new homes are planned to be developed in the surrounding area.
- With the overall plan for **Henderson** being approved in May 2017, the vision for Henderson is for it to grow into an urban eco-centre. This vision will guide planning and development with an outcome towards 'liveable growth' by creating a safe, attractive and vibrant mixed-use environment with a uniquely west Auckland identity.
- The regeneration of **Avondale** has been upgraded from a Support location to an Unlock. A High Level Project Plan is underway, identifying opportunities within the development area. Ockham has commenced the construction of 72 apartments on Racecourse Parade, with 10% of the apartments being affordable. Panuku also sold a site in Avondale to Housing New Zealand in December which allowed for the development of 103 social housing units
- A development agreement was signed with Todd Property for the delivery of more than 350 homes in Flat Bush, **Ormiston**. In December, Panuku sold a site at 187 Flat Bush School Road for a 30-lot subdivision.

### **Housing for Older People**

- A joint venture between Council and The Selwyn Foundation has been established, creating a new Community Housing Provider Haumarū Housing. The aim of this venture is to grow, better locate and improve the quality of Council's portfolio to better address tenants' needs.
- From July 2017 Haumarū Housing took over management of the 63 villages. Panuku maintains responsibility for the multi-year redevelopment of Council's portfolio, working collaboratively with Haumarū Housing. Resource consent has been gained for the first new village on Henderson Valley Road.

### **Support**

Panuku is also working on a number of support locations, where it ensures that council is making the most of what it already has. These smaller projects are adding to Auckland's much needed housing supply and improved communities.

The Mariner Rise subdivision at 20 Link Crescent, Whangaparōa has been completed by our development partner McConnell Property along with the delivery of a 2700sqm park and playground. Sixty new homes will be built on this new subdivision.

### **Property management**

- Panuku manages approximately \$2 billion of the council and Panuku property. This includes managing a diverse range of rental properties, including residential, commercial and business interests (quarries, waste disposal and forestry). In

2016-17, Panuku's rental portfolio delivered to Council an annual net surplus of \$32.3 million, compared to a budgeted net surplus of \$31.2 million.

### **Marinas**

- Westhaven Marina's operations are tracking well, overall customer satisfaction increased by 4% in the most recent independent customer survey, with 93% of customers satisfied.
- At the Royal Institute of Chartered Surveyors awards, the Westhaven Marina team won Facilities Management Team of the Year.
- For its environmental efforts, the marina has held onto its Blue Flag certification for the 11th consecutive year.

### **Property acquisition and disposals**



- Panuku **acquired** 29 properties worth \$68 million on behalf of council. These properties will help the council to deliver important projects including open space and storm water projects.
- **Disposing** of council properties provides an important funding stream and also optimises the property portfolio that council has. Panuku recommended to Council properties worth \$76.9 million for clearance (above the target of \$75 million), and completed unconditional sales worth \$76.8 million (above the \$50 million target).

## **4. Future outlook**





- Panuku will be moving to new offices on 82 Wyndham Street in September. The decision to move was assessed against Panuku remaining in its current offices. Moving enables cost savings in comparison to staying in the existing location and upgrading the space. It allows for more fit-for-purpose accommodation and will be more centrally located and nearer to council. This is also an opportunity to unite the organisation in an enabling environment which facilitates collaboration and team work.
- The successful challenge for the America's Cup creates a great opportunity for the continued revitalisation of Auckland's waterfront and a catalyst for innovation and development in the city. Panuku has setup an America's Cup project team to provide planning and technical advice. Early planning meetings have been held with the Central Government, Auckland Council, ATEED and Emirates Team NZ. Panuku will draw on legacy work and experience of previous large scale events to lead the discussion on the best path to achieve legacy outcomes for the waterfront. We will also work with other parts of Council to provide a co-ordinated response to both land and water based issues.






## 5. Key deliverables

The key projects currently being delivered are:

| Deliverable                       | \$'000<br>YTD<br>CAPEX/<br>OPEX<br>Actual   | Completed/<br>carry over<br>to next<br>quarter/<br>deferred | Status  | Comments   |
|-----------------------------------|---|---|---|--|
| <b>TRANSFORM</b>                  |   |   |   |  |
| <b><i>Transform Manukau –</i></b> | \$1,643k<br>(OPEX)<br><br>\$299k<br>(CAPEX) | carry over<br>to next<br>quarter                            |    | <ul style="list-style-type: none"> <li>Discussions continued with the parties involved in the earlier Barrowcliffe Place housing development proposal, particularly to create an opportunity that allows selected iwi to bid for the development opportunity.</li> <li>The Panuku Board considered the Programme Business case and has sought amendments to bring forward investment.</li> <li>Discussions have progressed with the Crown on the concept of establishing a geographical focus to achieve a coordinated input from government departments and agencies to the Transform Manukau project.</li> <li>A number of successful place making events took place including a celebration of Matariki.</li> </ul> |
| <b><i>Transform Onehunga</i></b>  | \$800k<br>(OPEX)                            | carry over<br>to next<br>quarter                            |  | <ul style="list-style-type: none"> <li>Framework Planning and Programme Business case process is underway and will incorporate the East West link decision.</li> <li>MOU agreements have been approved for negotiation of terms for 3 Paynes Lane and 45 Waller Street (a co-design agreement).</li> <li>Negotiations with NZTA to acquire the Onehunga wharf land are ongoing.</li> </ul>   |



|   |                      |                            |   |  |
|---|----------------------|----------------------------|---|--|
| <b>Transform Wynyard Quarter – (Public Project)</b><br>Madden & Pakenham St Upgrade | \$7,376k<br>(CAPEX)  | carry over to next quarter |    | <ul style="list-style-type: none"> <li>Madden Street construction underway. Project tracking to schedule.</li> </ul>   |
| Westhaven Marine Centre   | \$ 11k<br>(CAPEX)    | carry over to next quarter |    | <ul style="list-style-type: none"> <li>Initial leasing interest has reached good levels with numerous prospective tenants showing interest. Draft terms have been discussed with potential lessees and a commercial leasing campaign is underway.</li> </ul>   |
| Hobson Wharf remediation  | \$ 1,423k<br>(CAPEX) | carry over to next quarter |    | <ul style="list-style-type: none"> <li>Progress by the contractor during the quarter on Hobson Wharf has been solid and as expected. The scope of works has been amended as required to reflect the concrete elements requiring remediation.</li> <li>Work on Te Wero wharf has also progressed as expected.</li> </ul>  |
| <b>UNLOCK</b>   |                      |                            |   |  |
| <b>Takapuna</b>   | \$564k<br>(OPEX)     | carry over to next quarter |  | <ul style="list-style-type: none"> <li>Stakeholder engagement was undertaken to confirm the vision and goals for the Unlock Takapuna Framework Plan.</li> <li>The strategy for the business case was presented to the Panuku Board setting out the proposals for the delivery of the Gasometer carpark and development opportunity and the programme for further planning work on the Anzac St and Hurstmere Rd sites.</li> <li>An agreement has been completed to purchase 30 Hurstmere Road to enable a greater opportunity for the connection to Hurstmere Road.</li> <li>The Unlock Takapuna Framework Plan was completed. This sets out the vision and goals of the Unlock Takapuna project.</li> </ul> |

|   |                              |                                   |   |   |
|---|------------------------------|-----------------------------------|---|---|
| <p><b>City Centre</b><br/>Civic Administration Building</p>     | <p>\$372k<br/>(CAPEX)</p>    | <p>carry over to next quarter</p> |    | <ul style="list-style-type: none"> <li>• The developer has entered into a heads of agreement with a hotel operator for a 150 room four star facility on Mayoral Drive.</li> <li>• The Planning Committee approved notifying a plan change to address a small strip of land that has an open space zoning.</li> <li>• The Council and Regional Facilities Auckland (RFA) confirmed no immediate need or ability to progress with the extended Whare Tapere development.</li> </ul> |
| <p>The Airfields, Hobsonville Point</p>                         | <p>\$11,209k<br/>(CAPEX)</p> | <p>carry over to next quarter</p> |    | <ul style="list-style-type: none"> <li>• The purchaser of residential Mega Lots 2, 3, 4 have engaged key consultants to carry out and deliver infrastructure works.</li> <li>• The Masterplan and delivery programme have been provided for Panuku approval as per the development agreement between the parties.</li> </ul>  |
| <p>Northcote Town Centre</p>                                    | <p>\$978k<br/>(OPEX)</p>     | <p>carry over to next quarter</p> |  | <ul style="list-style-type: none"> <li>• The refresh of the town centre masterplan and Awataha Greenway masterplan are underway.</li> <li>• Negotiations for the acquisition of strategic leasehold interests in the town centre is ongoing.</li> </ul>   |
| <p>Ormiston Town Centre<br/><i>(Partner: Todd Property)</i></p> | <p>\$100k<br/>(CAPEX)</p>    | <p>carry over to next quarter</p> |  | <ul style="list-style-type: none"> <li>• A milestone was reached in June with Todd Property and Panuku agreeing to move forward with the development of Block E at 211 Ormiston Road into residential and commercial facilities.</li> <li>• Civil works have started on Blocks H &amp; L to prepare for 66 terraced homes. Once complete, this will take the total number of completed homes in the project area to 129.</li> </ul>   |
| <p>Papatoetoe Town Centre</p>                                   | <p>\$1,304k<br/>(CAPEX)</p>  | <p>carry over to next quarter</p> |  | <ul style="list-style-type: none"> <li>• Shopping mall – the Papatoetoe Mall refurbishment is continuing. This is a two stage project with completion targeted for March 2018.</li> <li>• Revised plans and indicative costings for the reconfigured car</li> </ul>   |

|  |  |  |  |   |
|--|--|--|--|---|
|  |  |  |  | <p>park have been obtained.</p> <ul style="list-style-type: none"> <li>• Tavern Lane – project scope is to create approximately 80 residential units. Negotiations now continuing with potential development partners.</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>• A request for development proposals (RFDP) process for 20 Barrowcliffe Place, a residential project with affordable housing commenced. The parties invited to bid are three local iwi and the New Zealand Housing Foundation (NZHF).</li> <li>• The Transform Manukau Programme Business Case will be presented to council's Finance and Performance committee to seek release of funding and confirm the marketing and sales strategy for commercial sites that are targeted for release to the market in late 2017.</li> <li>• The Council's Hayman Park Playground project is anticipated to commence construction in FY18 subject to council business case approval and a funding contribution from Transform Manukau.</li> <li>• Putney Way street improvements in conjunction with the new bus station is targeted for completion by May 2018 when the bus station opens.</li> <li>• Work has commenced with the Crown on a Strategic Business case to evaluate the merits and form of a geographically coordinated approach to investment and service delivery.</li> <li>• Discussions are underway with Scentre Group to explore how this shopping mall's future development could relate to and interface with the balance of the town centre.</li> </ul> |
| <b><i>Transform Onehunga</i></b> | <ul style="list-style-type: none"> <li>• 3 Paynes Lane and 45 Waller Street redevelopment - progress an agreement on the site for co-design and commercial terms.</li> <li>• Agree a process for partnering with Housing New Zealand (HNZ) in the Onehunga area, to assist HNZ with intensification.</li> <li>• Agree a comprehensive Parking Management Plan (CPMP) with Auckland Transport.</li> </ul>  |

|   |  |
|---|--|
| <p><b><i>Transform Wynyard Quarter -</i></b><br/>Madden &amp; Pakenham Street Upgrade</p> | <ul style="list-style-type: none"> <li>• Madden Street targeted for completion Sept 17.</li> </ul>   |
| <p>Westhaven Marine Centre</p>  | <ul style="list-style-type: none"> <li>• Next steps will be to obtain signed Offer of Lease documents to lock in the 50% threshold required by the Board to enable the next stage of the project to proceed.</li> </ul>  |
| <p>Hobson Wharf remediation</p>   | <ul style="list-style-type: none"> <li>• The target for completion of Hobson Wharf remediation is July 2018. The work will stop during the summer months of December 17 through to April 18. The contractor is seeking to complete as much work as possible before the summer recess.</li> <li>• Work on Te Wero wharf will be completed in August 17 prior to the Viaduct hosting the Boat show.</li> </ul>   |
| <p><b>UNLOCK</b></p>  |  |
| <p><b><i>Takapuna</i></b></p>   | <ul style="list-style-type: none"> <li>• Agreement on the proposed car park is being sought from the Auckland Transport (AT) Board in September.</li> <li>• Consultation on the proposed change of use of 40 Anzac Street is open for submissions from 7 August to 4 September 2017. The decision on whether the use of this site can change from a car park to be determined by the Planning Committee.</li> <li>• If the proposed change of use is supported, the next step would be to work with the communities of Takapuna on future planning for physical public spaces and their preferred uses and activities across this site and the adjoining council-owned sites on Hurstmere Road.</li> <li>• The residual part of the Gasometer site is due to market in late 2017.</li> <li>• The business case for the Gasometer carpark delivery, commencement of the sale process for the Gasometer development site and the further planning and site development of Anzac Street and Hurstmere Road properties is being presented to the Panuku Board in August for approval.</li> </ul> |
| <p><b><i>City Centre</i></b><br/>Civic Administration Building</p>                        | <ul style="list-style-type: none"> <li>• The Development Agreement for the project is anticipated to become unconditional by November 2017. This will be largely driven by the success in achieving residential presales.</li> <li>• Construction work on the Civic Administration Building would then commence in early 2018.</li> <li>• To confirm a first right of refusal in respect of the council purchase of the Whare Tapere building.</li> </ul>  |

|   |  |
|---|--|
|   | <ul style="list-style-type: none"> <li>• Plan change for open space strip notified on 2nd August.</li> </ul>   |
| The Airfields, Hobsonville Point                        | <ul style="list-style-type: none"> <li>• With a view to activating the 6 ha mixed use development site, it is anticipated it will be taken to the market by the end of this year.</li> <li>• Continue construction of key infrastructure networks to enable further subdivision.</li> </ul>  |
| Northcote Town Centre                                   | <ul style="list-style-type: none"> <li>• The town centre masterplan and the Awataha Greenway masterplan is targeted for completion December 2017.</li> <li>• Continue with acquisition of strategic leasehold interests in the town centre.</li> </ul>   |
| Ormiston Town Centre<br><i>(Partner: Todd Property)</i> | <ul style="list-style-type: none"> <li>• Todd Property to continue with construction of Retail Blocks F and J and complete acquisition of the site from Panuku.</li> <li>• 66 Flatbush School Rd (Residential) – to progress consenting and engineering approval and to obtain resource consent.</li> </ul>  |
| Papatoetoe Town Centre                                  | <ul style="list-style-type: none"> <li>• Papatoetoe Mall refurbishment Stage 1 is targeted for completion in October 17 and Stage 2 completion in March 18.</li> <li>• The supermarket construction (enabling works) by Foodstuffs is targeted to commence October 17, with proper construction to commence January 2018. On completion of the Supermarket in late 2018/early 2019, the town square works will commence.</li> <li>• The reconfiguration of the public car park includes resurfacing, landscaping, storm water reticulation and lighting. Works will be tendered in September 2017 and construction expected to commence in December 2017.</li> <li>• Tavern Lane site (residential) is anticipated to become unconditional later this year.</li> </ul> |

## 6. Development budget and Strategic Development Fund

### 6.1 Development budget

In 2014/15 Council approved a \$5m annual 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 2016/17 budget has been split between \$5.6m for operational expenditure (includes inflation) and \$3.6m for capital expenditure.

| \$000                             | Full year Budget | Forecast | *Committed to projects | Actual Expenditure |       |
|-----------------------------------|------------------|----------|------------------------|--------------------|-------|
| <b>Development Expenditure</b>    |                  |          |                        |                    | RAG * |
| Development capital expenditure   | 3,644            | 3,134    | 3,154                  | 2,371              |       |
| Development operating expenditure | 5,616            | 5,400    | 6,174                  | 4,962              |       |

The committed capital expenditure relates to value add activities for 23 projects. These include site decontamination, building demolition, subdivision, preliminary design, vendor due diligence and infrastructure such as water reticulation.

Committed operating expenditure to date relates to 26 projects and includes High Level Project Plans and Framework plans work which is not capitalisable.

### 6.2 Strategic Development Fund

| \$000                             | Full year Budget | Actual YTD | Comments  |       |
|-----------------------------------|------------------|------------|---|-------|
| <b>Strategic Development Fund</b> |                  |            |   | RAG * |
| Development capital expenditure   | 24,358           | 29,536     | The Panuku Board approved the acquisition of strategic properties / sites in Onehunga, Northcote, Avondale and Takapuna that will contribute to the activation of the areas and support regeneration of the town centres. |       |

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 June 2017

| \$'m  | Full year budget | Full year Actuals | Full Year Variance |
|---|------------------|-------------------|--------------------|
| <b>Operational</b>                                      |                  |                   | RAG*               |
| Revenue/External funding                                | 37.8             | 40.4              | 2.6                |
| AC funding  | 37.0             | 23.1              | (13.9)             |
| Expenditure excluding depreciation                      | 51.9             | 46.7              | 5.2                |
| Fair value decrease / (increase) on investment property |                  | (29.6)            | 29.6               |
| Depreciation  | 11.2             | 8.7               | 2.5                |
| Tax   |                  | (1.5)             | 1.5                |
| <b>Net Surplus/(Deficit) After Tax</b>                  | <b>11.7</b>      | <b>39.2</b>       | <b>27.5</b>        |

\*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 \$27.5m higher than budget at the end of the year.

Revenue and External funding was \$2.6m ahead of budget due to the following;

- a. \$0.6m in additional interest revenue, received from Fu Wah as interest on the hotel lease prepayment, which is scheduled for payment after practical completion of the construction project.
- b. \$1.1m in additional car parking revenue
- c. \$0.3m in utility and rates recharges
- d. \$0.4m additional revenue from Wynyard Wharf fees
- e. \$0.2m additional revenue from Panuku owned rental properties

- f. \$0.6m additional event income from Queens Wharf
- g. \$0.1m received from EECA for sustainability projects, and
- h. \$1.1m in additional berthage revenue, through greater occupancy at Westhaven, Viaduct and Silo Marinas.
- i. \$0.2m of additional sundry revenue at Westhaven and Viaduct Marinas.
- j. Offset by \$2.0m less recharges for property acquisitions as we have acquired less properties than budgeted.

AC funding is (\$13.9m) unfavourable compared to budget. This was due to a number of capital projects being behind budget resulting in a slower than anticipated draw down of funding from Council (\$12.0m) and (\$1.9m) of operational funding not required to be drawn down this year from Council.

Expenditure excluding depreciation is \$5.2m favourable compared to budget due to the following;

- a. \$2.3m saving in interest expense as there was less debt drawn in the FY15/16 year, and the interest rate charged this year has decreased from 5.7% to 2.1%, thus ongoing interest costs are less than budgeted. An additional \$8m of debt was repaid in June.
- b. \$1.2m saving in consultant costs in relation to the acquisition and disposal of properties on behalf of Auckland Council. \$1.1m of other consultancy costs are spread throughout the business.
- c. \$0.4m saving in people costs, there was a number of vacancies this year.
- d. \$0.3m saving in legal costs as these are now provided by Council's shared services
- e. \$0.2m saving in repairs and maintenance costs in relation to Wynyard Wharf.
- f. (\$0.3m) additional rental cost for a section of land in Daldy Street.

Fair value increase in investment property \$29.6m, two revaluations were performed during the year, at 31 December and 30 June by registered valuers. The main drivers of the increase in value are the Wynyard Point sites and North Wharf.

Depreciation is \$2.5m 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 June 2017

| \$'m                    | Full year budget | Full year actual | Variance |
|-------------------------|------------------|------------------|----------|
| <b>Capital</b>          |                  |                  |          |
| <b>Expenditure</b>      | 49.3             | 16.4             | 32.9     |
| <b>AC funding</b>       | 21.1             | 9.8              | 11.3     |
| <b>External funding</b> | 28.2             | 6.6              | 21.6     |

Year to date capital spend was \$32.9m behind budget due to the following:

- a. AC Funded spend was \$11.3m behind budget, the major AC Funded (Public) project in the year was Madden and Pakenham street upgrade. There was a \$4.0m timing difference this year. The project started in August 2015 and it was expected to be completed before the end of June 2017. There have been delays to the project from impacts by an Auckland Transport project in the Wynyard Quarter. There were also a number of other projects that were delayed in starting resulting in a further \$7.3m of timing differences. Examples of projects that make up this balance are Westhaven Promenade Stage 2 \$0.9m, Public Space Renewals \$1.7m and Madden Plaza/Hotel Promenade \$0.8m.
- b. External funded/commercial projects \$21.6m saving to budget. There were a number of capital projects that had timing differences to phased budget. The significant projects are outlined below:
  - \$3.5m in decontamination of 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.
  - \$5.3m for the Marina Pile redevelopment as there were delays in applying for resource consent due to continuing consultation with Iwi over this project and construction is not expected to start until FY17/18.
  - \$5.1m Westhaven Marine Village, we are currently in the marketing phase, getting tenants to commit to this project before we start building.
  - \$3.9m Superyacht/Site 18, this budget was not required in the current year and has been deferred to future years.

Most of the expenditure is expected to be spent in the next 12 month period with the exception of Site 18 which is deferred to 2018 and 2019.



## 8. Annual performance measures



### Activities and key performance achievements (SOI performance measures)






Panuku carries out projects and activities using its own funds and assets or projects and activities on behalf of Council using Council funds and assets.








Key performance achievements relating to Panuku activities include a return on equity on commercial assets and services of 12.7% (4.3% above target) and a 93% visitor's satisfaction with their experience of the public spaces on the city centre waterfront (18% above target).


Key performance achievements relating to activities carried out on behalf of Council include achieving \$76.8 million of net property sales for the year (\$26.8 million above target), \$76.9 million worth of properties recommended to council for approval to sell (\$1.9 million above target) and returning a net surplus on the property portfolio of \$32.3 million to council (\$1.1 million above target).

| Measure  | Year-end target  | Achieved?<br>(RAG Status)  | Last Actual   |
|--|--|--|---|
| <p>1. The Board approves the rolling High Level Project Plan (HLPP) programme.</p> <p>(The quarterly rolling HLPP programme will contain individual HLPPs that will be approved by the Panuku Board and Council, where appropriate).</p> <p>The programme will be communicated to Council.</p> | <p>The quarterly rolling HLPP programme is approved by the Board.</p>                                    |  | <p><b>Achieved</b></p> <p>The Board approved the rolling HLPP programme shared with council.</p>  |
| <p>2. Significant Master programme deliverables are completed as planned.</p> <p>(The main Master programme deliverables for Transform and Unlock Locations include the Engagement, Framework and Implementation Plans approved by the Panuku Board and by Council,</p>                        | <p>Number of significant Master programme deliverables completed within the Board approved timeline.</p> |  | <p><b>Achieved</b></p> <p>The master programme was approved by the Board and the deliverables in the master programme were achieved.</p> <p>There were 4 deliverables completed in accordance with the original programme and</p> |

| Measure   | Year-end target   | Achieved?<br>(RAG Status)  | Last Actual  |
|---|---|--|--|
| where appropriate).   |   |  | 14 completed within the approved amended programme.  |
| 3. Development agreements are submitted to the Panuku Board and/or council for approval.<br><br>(Housing and urban regeneration)                | <b>Three year target</b><br>26 development agreements with third parties including community housing organisations to be entered into.<br>(Period 2016 to 2018) | <b>Three year target progressing</b>   | <b>Target is on track</b><br><br>The three year target is progressing (2016 to 2018).<br>To date, 15 agreements have been completed and 11 agreements remain to be achieved.                                   |
|   | <b>Three year target</b><br>15 development agreements with third parties including community housing organisations to be entered into.<br>(Period 2017 to 2019) | <b>Three year target progressing</b>   | <b>Target is on track</b><br><br>The three year target is progressing (2017 to 2019).<br>To date, 9 agreements have been completed and 6 agreements remain to be achieved.                                     |
| 4. 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  | <b>Target progressing</b>  | <b>Progressing</b><br><br>There were no projects fully completed during this financial period.   |
| 5. Written evidence that opportunities have been identified and assessed, to be progressed or not.<br>(housing and urban regeneration combined) | At least 50 opportunities identified and assessed   |  | <b>Achieved</b><br><br>To date, 341 opportunities have been identified and assessed.   |
| 6. The net surplus on the property portfolio achieves the annual budget agreed with Council.  | Net Surplus achieves budget for 2016/17   |  | <b>Achieved</b><br><br>Actual net surplus on the property portfolio for the 12 months ended 30 June 2017 is \$1.1 million ahead of budget (actual surplus of \$32.3 million against budget of \$31.2 million). |





| Measure   | Year-end target  | Achieved?<br>(RAG Status)  | Last Actual  |
|---|--|--|--|
| 7. 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   | The annualised % movement in gross rental income of properties with rent reviews during the financial period is equal to or greater than the Consumer Price Index (CPI) movement.  |    | <b>Achieved</b><br>Achieved 5.6% improvement in gross rental income on properties that are available for rent and on a like for like basis against two year CPI movement 0.8%.                             |
| 8. For those properties available for rent:<br><br>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.  |    | <b>Achieved</b><br>The average of monthly % occupancy for the year is 97.8% against the target of 95%.   |
| 9. Maintain or improve the baseline established at the end of the 2012/13 financial year. Return on Investment (ROI) on properties on a like for like basis (LTP).<br><br>Panuku is committed to continuously review and improve the ROI target over the term of the SOI. | Greater than or equal to 2.2%  |  | <b>Achieved</b><br>The ROI calculated on this year's property valuation on a like for like basis is 3.1% against the 2.2% target.  |
| 10. Return on Equity on commercial assets and services (LTP) at waterfront.   | 8.4%   |  | <b>Achieved</b><br>Actual ROE of 12.7%   |
| 11. List of properties recommended for disposal submitted to council<br><br>The disposal target for the next financial period will be agreed with council in the current financial period.<br><br>(Recommended for disposal)  | A list of recommended properties with a total value agreed by the Board the prior year totalling \$75 million gross value will be submitted to council seeking approval to dispose for 2016-17 financial period.<br><br>A recommended for disposal target for 2017-18 will be agreed with council in the 2016-17 financial period. |  | <b>Achieved</b><br>A total of \$76.9 million worth of properties was recommended to council seeking approval to dispose for the 2016-17 financial period.<br>The target of \$75 million has been exceeded. |

| Measure  | Year-end target  | Achieved?<br>(RAG Status)  | Last Actual   |
|--|--|--|---|
| 12. Achieve total forecast net sales for the financial year.<br><br>(Net property sales)                                     | Meet or exceed financial forecasts. Property disposal target of \$50 million (net value of unconditional sales).<br><br>Property disposal target (net value of unconditional sales) for 2017-18 financial period will be agreed with Council in 2016-17. |    | <b>Achieved</b><br><br>Achieved actual net sales of \$76.8 million for the financial year. The target of \$50 million has been exceeded.  |
| 13. Acquisitions are delivered within the timeline agreed with Auckland Council.   | 75% satisfaction against agreed service performance measure  |    | <b>Achieved</b><br><br>96.5% of acquisitions are delivered within agreed timeline   |
| 14. Percentage of visitors surveyed satisfied with their experience of the public spaces on the city centre waterfront (LTP) | 75%  |    | <b>Achieved</b><br><br>93% Satisfied  |
| 15. Percentage of Aucklanders surveyed who have visited the city centre waterfront in the past year (LTP)                    | 73%  |  | <b>Achieved</b><br><br>73% visited the Waterfront   |
| 16. Percentage of attendees surveyed satisfied with key waterfront place programmes and activities                           | 84%  |  | <b>Not achieved but progress made</b><br><br>80% Satisfied<br><br>The satisfaction rate was maintained despite a higher target set compared to the previous year and the effect of disruptions during the year caused by physical works projects in the area. |
| 17. Percentage of customers surveyed satisfied overall with marina facilities and services (LTP)                             | 74%  |  | <b>Achieved</b><br><br>93% Satisfied  |
| 18. Number of significant Māori initiatives implemented per annum (LTP)  | 47   |  | <b>Achieved</b><br><br>48 Māori initiatives have been implemented this year.  |

| Measure   | Year-end target     | Achieved?<br>(RAG Status)  | Last Actual   |
|---|---------------------|--|---|
| 19. % Māori groups satisfied with quality of engagement | Maintain or Improve |  | <p><b>Not achieved</b></p> <p>25% of mana whenua survey respondents were satisfied with the quality of engagement, 42% of respondents were neither satisfied nor dissatisfied and 33% were dissatisfied.</p> <p>The small sample size makes it difficult to make a statistical finding. Satisfied respondents represents only 15% of the total survey sample (3 out of 19).</p> |

### Criteria for performance measures

We have used the following grading system to rate performance for each performance measure:

| Status  | Criteria  | Rating                         |
|---|---|--------------------------------|
|  | Where the performance result for the year is either equal to or above the target, then the performance measure target was met (or achieved).                        | Achieved                       |
|  | Where the performance result for the year is below the target, but has not been achieved by a slim margin (of around 2%).   | Substantially achieved         |
|  | Where the performance result for the year is below the target (with a margin of more than 2%) but the result is better than the previous year.                      | Not achieved but progress made |
|  | Where the performance result for the year is below the target (with a margin higher than 2%) and the result is lower than the result achieved in the previous year. | Not achieved                   |

## 9. 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   |
|--|--|--|
| Achieving better outcomes for and with Māori | <p>Implement the Panuku Māori Responsiveness Plan (MRP) that focuses on achieving better outcomes for and with Māori.</p> <p>Panuku will be responsive to both mana whenua and other Māori in giving effect to the MRP.</p> <p>Continued input to Te Toa Takitini (led by Te Waka Angamua) where Panuku can contribute to delivery of priority projects.</p> | <p>Priorities under the Māori Responsiveness Plan include enabling commercial opportunities, a review of engagement, and internal capacity building.</p> <p>Work has focused on understanding the spectrum of commercial opportunities across Panuku, with the key areas being cultural services, acquisitions, development and services. The Procurement and the introduction of the Total Value Analysis process expand the range of opportunities Panuku can offer.</p> <p>As the priority location projects move into delivery and implementation, a review of engagement with Mana Whenua is necessary to ensure there is a consistent approach towards achieving positive Māori outcomes.</p> <p>Internal capacity building includes offerings for te reo, pronunciation, tikanga, Treaty of Waitangi, waiata and developing a staff induction pilot. These will significantly contribute towards developing confidence and awareness, and increasing internal capacity.</p> |
| Mana whenua Engagement Forum establishment   | <p>Manage a robust inclusive monthly mana whenua Forum to enable relationship with Panuku and facilitate input to Panuku projects.</p> <p>Identify mana whenua interested in Panuku projects and facilitate</p>  | <p>Panuku continues to engage with Mana Whenua at a governance level every two months through the Panuku Mana Whenua Governance Forum, and every six months through the rangatira ki rangatira hui with the Panuku board members. At an operational level, kaitiaki</p>  |

| Key project and initiatives                                       | Description   | Progress   |
|---|---|--|
|   | <p>input.</p> <p>Coordinate efficient engagement with Council family to streamline engagement with mana whenua and other Māori.</p> <p>Continue to share information with the Independent Māori Statutory Board (IMSB). Panuku will contribute information required for Te Tiriti Audit and will take account of IMSB's Schedule of Issues of Significance, The Māori Plan and the suite of statutory provisions relevant to our activities.</p>                        | <p>representatives have provided direction and influence on the development of HLPP and Framework Plans through the project working groups. The focus is now moving to delivery and implementation across a number of the priority location projects and it is timely to review the engagement framework to ensure it continues to respond to direction from Mana Whenua.</p> <p>There is an increased emphasis in coordinating Māori engagement across the wider council whanau. This is especially important given the number of large scale projects currently underway or planned for the near future.</p> |
| Māori Development Opportunities                                   | <p>Engagement with mana whenua and other Māori organisations on commercial and housing developments, partnering opportunities in urban redevelopment projects and opportunities to purchase properties surplus to council requirements.</p> <p>Explore any means to improve the coordination and efficient engagement with mana whenua and other Māori organisations around potential disposal properties and properties that may become available for development.</p> | <p>Barrowcliffe remains a significant commercial partnership for Mana Whenua. Mana Whenua have signalled interest in other development opportunities and there is scope for these to progress further. The early notification process continues to be refined and there is opportunity to improve the process further.</p> <p>Panuku is progressing work on understanding the full scope of potential commercial opportunities available across the business with a focus on development, leasing, procurement and disposal.</p>   |
| Recognition and celebration of Māori cultural values and heritage | <p>Panuku will facilitate cultural expression opportunities through Te Aranga Design application in early planning in Transform and selected Unlock locations. This work flows down to implementation of cultural</p>   | <p>Implementation of project charters and cultural narratives for High Level Project Plan and Framework Plan provide anchoring material to contribute to our delivery of Maori cultural value and associations in Panuku projects and place-activation</p>   |



| Key project and initiatives | Description  | Progress  |
|-----------------------------|--|---|
|                             | <p>expression opportunities in public realm projects.</p> <p>Māori identity will be recognised through promotion of te reo Māori such as naming new streets, laneways, buildings, signage, other communications, art and landscaping.</p> <p>Placemaking will support Māori-focused events at the waterfront and other selected locations.</p> | <p>programmes.</p> <p>Implementation level work continues in Wynyard Central. Mana whenua artist design work is bringing strong contemporary Maori design into the Innovation Precinct, and through laneway naming. Future opportunities will be progressed with Mana Whenua and the local board.</p> <p>Placemaking initiatives continue to make significant contributions towards Māori focused events throughout the region. Mana Whenua provided significant input into the development of the Panuku placemaking guidelines.</p> |

| 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                                | \$127               | \$ 92                  |
| <b>Maori technical/specialist advice</b> | Ensures that public spaces and developments respect and reflect Maori culture and history. | \$350               | \$ 327                 |
| <b>Development Projects</b>              | Maori related expenditure spent on Panuku's development projects                           | \$235               |                        |
| <b>Maori koha</b>                        |  | \$ 2                | \$ 5                   |

## **10. Key Local Board issues**

### **Local Board Plans**

We worked closely with the Local Boards in our priority location areas earlier in the year to make sure we were involved in the Local Board Plan process. An aligned approach to strategic planning in our priority areas with Local Boards means we have a better chance to design and deliver holistic outcomes for transport, development and community facilities. We worked alongside some of the relevant Local Boards when they consulted on the plans with their communities. The invitations to join the boards at this stage should be viewed as a sign of confidence and trust in our plans and staff. The consultation period is now finished and Local Boards will share their consultation findings with us to help inform our engagement and planning. This is something we will actively seek as survey analysis is now completed. In some project locations Panuku have undertaken public engagement that they will in turn share with Local Boards to inform their planning process.

### **Panuku as Lead Agency**

The role of Panuku as “lead council agency” and how that fits with Local Board decision-making across our work programme was a live conversation last quarter. It is generally accepted that Panuku has been endorsed as the “lead council agency” for this work, and ultimately this doesn’t have any impact on the role of the Local Board in a governance sense. As always Panuku is committed to working closely with the Local Boards to progress positive regeneration across the city. The conversation continues as to who is responsible for certain decisions in accordance with the allocation of decision-making responsibility as set out in the allocation table. It may be that we need to seek a revision of the allocation table through the LTP process later this year but it is still too early to see if this needs to happen. A collaborative ‘whole of council’ approach has been applied to this issue so we can work through it proactively and positively.

## **11. Risk management**

Panuku has a comprehensive risk management framework based on AS/NZS ISO 31000: 2009 Risk Management Standard. This provides a structured approach to identifying and managing uncertainties relating to achievement of its objectives.

The significant risks to the company are project funding, property market changes, tighter lending requirements, effect of general election and employment market.

To achieve shareholder outcomes, Panuku will continue to take and manage risks in a calculated and responsible way.