



# AGENDA

## Extraordinary Council meeting Wednesday, 23 October 2024

I hereby give notice that an Extraordinary meeting of Council will be held on:

**Date:** Wednesday, 23 October 2024

**Time:** 2:30pm

**Location:** Groundfloor Meeting Rooms,  
306 Cameron Road, Tauranga

*Please note that this meeting will be livestreamed and the recording will be publicly available on Tauranga City Council's website: [www.tauranga.govt.nz](http://www.tauranga.govt.nz).*

**Marty Grenfell**  
**Chief Executive**

# Terms of reference – Council

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## Membership

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<b>Chairperson</b>	Mayor Mahé Drysdale
<b>Deputy Chairperson</b>	Deputy Mayor Jen Scoular
<b>Members</b>	Cr Hautapu Baker Cr Glen Crowther Cr Rick Curach Cr Steve Morris Cr Marten Rozeboom Cr Kevin Schuler Cr Mikaere Sydney Cr Rod Taylor
<b>Quorum</b>	<u>Half</u> of the members present, where the number of members (including vacancies) is <u>even</u> ; and a <u>majority</u> of the members present, where the number of members (including vacancies) is <u>odd</u> .
<b>Meeting frequency</b>	As required

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## Role

- To ensure the effective and efficient governance of the City.
- To enable leadership of the City including advocacy and facilitation on behalf of the community.

## Scope

- Oversee the work of all committees and subcommittees.
- Exercise all non-delegable and non-delegated functions and powers of the Council.
- The powers Council is legally prohibited from delegating include:
  - Power to make a rate.
  - Power to make a bylaw.
  - Power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan.
  - Power to adopt a long-term plan, annual plan, or annual report.
  - Power to appoint a chief executive.
  - Power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
  - All final decisions required to be made by resolution of the territorial authority/Council pursuant to relevant legislation (for example: the approval of the City Plan or City Plan changes as per section 34A Resource Management Act 1991).
- Council has chosen not to delegate the following:
  - Power to compulsorily acquire land under the Public Works Act 1981.
- Make those decisions which are required by legislation to be made by resolution of the local authority.

- Authorise all expenditure not delegated to officers, Committees or other subordinate decision-making bodies of Council.
- Make appointments of members to the council-controlled organisation Boards of Directors/Trustees and representatives of Council to external organisations.
- Undertake all statutory duties in regard to Council-controlled organisations, including reviewing statements of intent and receiving reporting, with the exception of the Local Government Funding Agency where such roles are delegated to the Accountability, Performance and Finance Committee. This also includes Priority One reporting.
- Consider all matters related to Local Water Done Well.
- Consider any matters referred from any of the Standing or Special Committees, Joint Committees, Chief Executive or General Managers.

### **Procedural matters**

- Delegation of Council powers to Council's committees and other subordinate decision-making bodies.
- Adoption of Standing Orders.
- Receipt of Joint Committee minutes.
- Approval of Special Orders.
- Employment of Chief Executive.
- Other Delegations of Council's powers, duties and responsibilities.

### **Regulatory matters**

Administration, monitoring and enforcement of all regulatory matters that have not otherwise been delegated or that are referred to Council for determination (by a committee, subordinate decision-making body, Chief Executive or relevant General Manager).



## Order of Business

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- 1 OPENING KARAKIA**
- 2 APOLOGIES**
- 3 ACCEPTANCE OF LATE ITEMS**
- 4 CONFIDENTIAL BUSINESS TO BE TRANSFERRED INTO THE OPEN**
- 5 CHANGE TO THE ORDER OF BUSINESS**
- 6 DECLARATION OF CONFLICTS OF INTEREST**

## 7 BUSINESS

### 7.1 Chief Executive's Summary Report

**File Number:** A16872914  
**Author:** Marty Grenfell, Chief Executive  
**Authoriser:** Marty Grenfell, Chief Executive

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### RECOMMENDATIONS

That the Council:

- (a) Receives the report "Chief Executive's Summary Report".

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### CHIEF EXECUTIVE'S SUMMARY OF COUNCIL AGENDA

1. The purpose of this report is to introduce the agenda for 23 October Council meeting and highlight the key agenda items, priorities or risks associated with the content of this agenda, for Elected Members.
2. There are two reports on the agenda covering matters related to historic land purchases. These include the land purchase and development of 160 Devonport Road (a new carpark) and the land purchase of 108 Willow Street (the Art Gallery land). The reports detail the chronology and rationale for purchase and details of the purchase. **No decisions are sought on these reports.**
3. The report on the Kopurererua Valley recreation reserve proposes part of the reserve known as Puketoromiro Pā be reclassified from recreation reserve to historic reserve. The new classification will enable Council to more appropriately manage, protect and preserve the Pā, in line with its cultural and historical significance. The required consultation engendered two submissions, both in support. **The report seeks Council's approval to the change in classification.**
4. A report on the divestment of the Marine Precinct includes some background information including the substantial economic benefits this sale would bring to the city. It outlines further work proposed to explore future options for Tauranga's fishing and working boat community and to investigate equity, funding and/or financing options to help meet the cost of wharf infrastructure. **The report seeks Council's approval to complete further investigation works.**
5. There are three confidential matters to be dealt with, all regarding confidential negotiations. One is seeking direct appointment for the construction of twin watermains within the Takitimu North Link site. The second concerns a variation sought by a development party to a Tauriko West funding agreement. The third report is regarding a confidential major event opportunity for Tauranga. The Council will move to 'public excluded' to consider these reports.

### ATTACHMENTS

Nil



## 7.2 160 Devonport Road - land purchase and development

**File Number:** A16662359

**Author:** Fiona Nalder, Principal Strategic Advisor

**Authoriser:** Paul Davidson, Chief Financial Officer

### PURPOSE OF THE REPORT

1. This report summarises past decisions made in relation to the purchase and development of 160 Devonport Road.

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### RECOMMENDATIONS

That the Council:

- (a) Receives the report "160 Devonport Road - land purchase and development".

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### EXECUTIVE SUMMARY

2. The previous owners of 160, 168 and 176 Devonport Road (160 Devonport Road) made an unsolicited approach to Council in 2022 as they had secured alternative accommodation and were looking to sell the property.
3. Council owned little city centre property at that time (with the exception of the Willow Street site), and 160 Devonport Road offers significant development potential which could have been lost via a sale to the open market. For these reasons Council decided to purchase the site as a strategic acquisition (see Attachment 1 for past recommendations and Council decisions and Attachment 2 for the 12 December 2022 Council report).
4. A sale and purchase agreement was entered into on 1 May 2023 and settled on 20 June 2023 for a total of \$10 million.
5. In July 2023 Council decided to develop the site as a carpark and construction commenced in October 2023. Construction was completed in August 2024 at a forecast final cost of \$1.83m. The completed carpark provides 101 standard bays, 3 mobility bays and 24 bike parks, and has been operational since 1 September 2024.

### BACKGROUND

#### Strategic land purchases by Council

6. Council owns land across the city for a range of operational and strategic purposes. Many of Council's activities and services require land, often in excess of the size provided by individual land parcels.
7. As the city continues to grow, Council needs to plan to meet future needs, including in brownfield areas. However, securing sizeable land blocks, especially in brownfield areas, is becoming more challenging and suitable land can be difficult to acquire. For these reasons Council may purchase strategically located and sized land parcels ahead of an identified need, or with only a high-level intent.
8. This type of purchase typically fulfils one of several future purposes:
  - It may be developed to deliver a core Council activity – e.g. a public space or facility, or other infrastructure such as roading or water.

- It may be leveraged by Council to deliver on strategic outcomes – e.g. land owned by Council, known as Smiths Farm, was provisionally purchased for sportsfields. However, when Council identified it was no longer needed (for sportsfields or any other Council purpose) it was able to leverage the sale of the land to provide needed housing for the city, including the delivery of affordable housing and increased density.
  - It may facilitate the acquisition and development of land elsewhere, either via a land swap or by providing a valuable asset which can be sold to fund another land purchase. For example, this can occur when Council buys land in a greenfield area that is not yet developed. As Council's needs become clearer over time, the purchased land may not be fit for purpose. However, it provides Council with leverage, and can be a useful asset when negotiating with other landowners in the area.
9. Additionally, land is an appreciating asset over time, and although values may fluctuate over the short-term, in the medium to long-term land prices increase. This means that acquiring land in anticipation of a future need can be a prudent financial move for Council, especially when a large land parcel becomes available, as sizeable blocks can be particularly difficult and costly to secure.

### The rationale for purchasing 160 Devonport Road

10. The previous owners of 160, 168 and 176 Devonport Road (160 Devonport Road) made an unsolicited approach to Council in 2022 as they had secured alternative accommodation and were looking to sell the property.
11. At the time Council owned little in the way of landholdings in the city centre (apart from the civic precinct site and reserve land). As discussed above, landholdings are of value to Council, as they enable future service delivery and the delivery of strategic outcomes.
12. 160 Devonport Road offers significant development potential as it is a sizeable land parcel (consisting of several separate land holdings grouped together). However, that potential would be diminished or lost if the land was sold off as individual parcels to separate purchasers or, once sold, land-banked indefinitely without activation.
13. Priority One's Tauranga CBD Blueprint talks to the potential of the 160 Devonport Road and the aspirations of the previous owners, identifying the site as suitable for quality office and retail space, ideally suited to larger corporate businesses who desire a strong-inner city presence.
14. Council resolved on 12 December 2022 to proceed with the purchase of 160 Devonport Road for the reasons outlined in points 10-13 above. Additional information regarding Council's purchase rationale can be found in points 8-14 and 17-28 of the 12 December Council report *CBD – Strategic Property Purchase* (see Attachment 2).
15. Note that the recommendation to Council sought approval of up to \$11m for the purchase of 160 Devonport Road. The final resolution approved up to \$14.5m, however this amount was for the purchase of 160 Devonport Road *and* the purchase of 134 Durham Street (this report focuses solely on 160 Devonport Road).

### The purchase of 160 Devonport Road

16. Council completed thorough pre-purchase due diligence prior to its purchase of 160 Devonport Road. This included obtaining:
- an independent valuation for the properties (Telfer Young), as well as a peer review of that valuation.
  - independent advice on geotechnical and planning issues relating to the properties.
  - independent legal advice.

- building reports, including asbestos testing (Note: while the pre-purchase asbestos testing detected limited asbestos in the buildings, more was discovered during the deconstruction process).
17. The Council paid \$10 million to purchase the properties. The sale and purchase agreement was entered into on 1 May 2023 and the purchase settled on 20 June 2023. The purchase cost was debt funded.
18. This due diligence collateral and the sale and purchase agreement have been reviewed and released to the public (with redactions if necessary). Note that the pre-purchase legal advice has been withheld under s7(2)(g), Local Government Official Information and Meetings Act 1987 (LGOIMA) and the peer review of the Telfer Young valuation has been withheld under s7(2)(c) and S7(2)(f)(i), LGOIMA.

### Development of 160 Devonport Road as carparking

19. On 3 July 2023 Council decided to terminate the remaining leases at 160 Devonport Road, demolish the buildings, and construct an at-grade carpark on the site (see Attachment 10). The use of the site for carparking in the short-medium term was assessed as:
- Contributing towards the demand for carparking in the city centre by providing approximately 100 carparks (charged at hourly and day rates).
  - Providing a revenue stream for Council.
  - Decreasing holding costs to Council.
20. Development of the site commenced in October 2023 and included the following works:
- Demolition of the existing buildings on the site.
  - Regrading and resurfacing the site with asphalt and line marking.
  - Installation of approximately 100 metres of concrete kerbing.
  - Installation of bike parking facilities.
  - Installation of a stormwater system to collect and discharge water through kerbside outlets with proprietary treatment devices.
  - Installation of utility services to support new lighting and pay machines.
  - Installation of 40 metre x 1.6 metre masonry block wall.
  - Removal of existing vehicle crossings and reinstatement of public kerb and footpath.
21. The pre-purchase construction estimate for these works was \$1.43 million. The forecast final cost is \$1.83m. This excludes civil contractor extension of time claims of \$94k which have not yet been negotiated pending completion of remedial works. The demolition cost was higher than anticipated due to the discovery of additional asbestos in the existing buildings (some of this was detected by building reports in the due diligence phase, but not all). Other cost variations were due to:
- The addition of internal lights, landscaping works, seat and concrete pad, relocation of the bus shelter, bollards and wheel lights.
  - The upgrade from a chipseal surface to 30mm of asphalt.
  - Increasing the size of the block wall to the neighbouring property and enabling work for the waterproofing the neighbour's wall.
22. The parking facility consists of 101 standard parking spaces, 3 mobility spaces and 24 bike parks. Construction was completed late August 2024 and the facility opened for use on 1 September 2024.

### Attachments, other available information and redactions

23. The following tables itemises the attachments to this report, and other information which is available on request (or by visiting Council's LGOIMA response webpage and searching for Devonport Road). The tables also identify when and why information contained within the attachments and other documents has been withheld.
24. The Council report from 12 December 2022 was public excluded, but has since been reviewed and released publicly as part of a 10 May 2024 LGOIMA response. The 3 July 2023 Council report was also public excluded but was transferred into open upon conclusion of lease negotiations as per resolution CO11/23/4 (e)<sup>1</sup>.

Table 1 – Attachments to this report

Attachment	Description	Information withheld / LGOIMA reference
1	Acquisition and development timeline, including past Council decisions	None
2	Council report "13.3 CBD – Strategic Property Purchase (12 December 2022)"	Attachment A from this report has been withheld in reliance on s7(2)(h)

Table 2 - Information available on request (or by visiting Council's LGOIMA response webpage)

Report	Description	Information withheld / LGOIMA reference
1	Telfer Young's valuation for TCC (December 2022)	The following information has been withheld/redacted from this document in reliance on s7(2)(b) and s7(2)(c): <ul style="list-style-type: none"> <li>- Passing income summary and tenancy summary at page 17.</li> <li>- Retail rental evidence at pages 21, 22, and 23.</li> <li>- Passing vs market rent analysis at page 24.</li> <li>- Investment sales analysis at pages 25, 26, 27, 28.</li> <li>- Land sales analysis at pages 29, 30, 31 and 32.</li> </ul>
2	Letter of advice from the Property Group re: planning due diligence (10 March 2023).	Information has been withheld under s7(2)(a) and s7(2)(h).
3	160, 168, and 176 Devonport Road – Building Reports (21 February 2023).	Information has been withheld under s7(2)(a).
4	Tonkin and Taylor Ground contamination assessment – PSI (May 2023).	Information has been withheld under s7(2)(a).
5	Tonkin and Taylor Prepurchase Assessment Report 160 to 176 Devonport Road (1 March 2023).	Information has been withheld under s7(2)(a). There is no final copy, the draft document was used.
6	LIMs for 160, 168, 176 Devonport Road.	None
7	A copy of the sale and purchase agreement (1 May 2023).	The following information has been withheld/redacted from this document in reliance on s7(2)(h):

<sup>1</sup> <https://econtent.tauranga.govt.nz/data/bigfiles/public-excluded-reports/2024/190924carpark.pdf>

		- the tenancy schedule - personal names have been redacted under 7(2)(a)
8	Council report "13.4 Construction of Car Parks 160-176 Devonport Road (3 July 2023)"	None

## STATUTORY CONTEXT

25. The Attachments to this report and the information and reports in Table 2 above contain information which has been redacted and withheld for one or more of the following reasons under section 7 of LGOIMA:
- 7(2)(a) – the withholding of the information is necessary to protect the privacy of natural persons.
  - 7(2)(b)(i) – the withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret.
  - 7(2)(b)(ii) – The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
  - 7(2)(c)(i) – the withholding of the information is necessary to protect information which is subject to an obligation of confidence where the making available of that information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.
  - 7(2)(f)(i) - maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority in the course of their duty.
  - 7(2)(g)- maintain legal professional privilege.
  - 7(2)(h) – the withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, commercial activities.

## STRATEGIC ALIGNMENT

26. Council's purchase of 160 Devonport Road and its subsequent development for carparking contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	<input type="checkbox"/>
We value, protect and enhance the environment	<input type="checkbox"/>
We are a well-planned city	<input checked="" type="checkbox"/>
We can move around our city easily	<input type="checkbox"/>
We are a city that supports business and education	<input type="checkbox"/>

27. The timely acquisition of land contributes to the successful delivery of Council's strategic and operational objectives. The development of 160 Devonport Road for carparking over the short-medium term provides additional carparking, contributing to the vibrancy of the city centre.

## FINANCIAL CONSIDERATIONS

28. Council funded the \$10 million purchase of 160 Devonport Road and the \$1.83m of development costs via additional borrowing, at an interest rate of 4.8%. Additional financial analysis is provided in the 12 December 2022 and 3 July 2023 Council reports.

## LEGAL IMPLICATIONS / RISKS

29. Council has received a LGOIMA request asking it to re-consider its redactions of information contained in the market valuation completed by Telfer Young. This process is currently underway. There is a risk that redactions made by Council could be challenged via the Office of the Ombudsman.

## TE AO MĀORI APPROACH

30. Mana whenua blessed 160 Devonport Road prior to the demolition of the buildings previously onsite. The carpark at 160 Devonport Road does not incorporate te reo Māori or cultural design elements. This approach was taken as the use of the site for carparking purposes is a short-medium term measure (not a permanent use of the site).
31. If Council chooses to sell 160 Devonport Road in the future, this will occur in accordance with Council's Property Acquisitions and Disposals Policy (2023), which includes a right of first refusal for mana whenua to buy land classified as surplus at its assessed market value.

## CLIMATE IMPACT

32. This report is for information purposes, and the recommendation (to receive the report) has no climate impacts. The development of 160 Devonport Road as an at-grade carpark negatively impacts on Tauranga's ability to (a) adapt to a changing climate, (b) reduce emissions, and (c) enhance nature and biodiversity. This is because it supports private vehicle use, provides limited opportunities for vegetation, and is constructed with a largely impervious surface (asphalt).

## CONSULTATION / ENGAGEMENT

33. This report is for information purposes, so does not require consultation. Neither the purchase of 160 Devonport Road nor its subsequent development into a carpark were consulted on.
34. Purchase – the purchase of 160 Devonport Road was an unscheduled acquisition that was assessed in the report of 12 December 2022 as being of high significance as the purchase cost was unbudgeted. However, the acquisition was considered to be time-sensitive and not consulted on for this reason. Additionally, the 12 December 2022 report noted that the decision to purchase 160 Devonport Road was easy to reverse, as the property could be on-sold by Council.
35. Carpark development – the 3 July 2023 report assessed the development 160 Devonport Road for carparking purposes as being of low significance, and no consultation occurred.

## SIGNIFICANCE

36. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
37. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region
  - (b) any persons who are likely to be particularly affected by, or interested in, this report

- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

38. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that this report is of low significance.



### ENGAGEMENT

39. Taking into consideration the above assessment, that this report is of low significance, officers are of the opinion that no further engagement is required prior to Council receiving this report.

### NEXT STEPS

40. None

### ATTACHMENTS

1. **Attachment 1 - Past recommendations and resolutions - 160 Devonport Road - A16779471** [↓](#) 
2. **Attachment 2 - Council Report 13.3 CBD - Strategic Property Purchase - 160 Devonport Road - A16769983** [↓](#) 

**Attachment 1: Past Council recommendations and resolutions**Key

- Plain text – recommended and resolved as per recommendation (i.e. no changes between recommendation and final decision).
- Strike Through – recommendation which was not passed.
- Italics – resolution which differs from the recommendation (i.e. shows the final decision, which differed from the decision recommended by the report).

Council report “13.3 CBD – Strategic Property Purchase” (12 December 2022)

CO23/22/19 – that the Council

- (a) Receives the report "CBD - Strategic Property Purchase".
- (b) Resolves as follows:
  - ~~i. Approves the purchase of the properties at 160, 168 and 176 Devonport Road, for an amount up to \$11,000,000 as non-budgeted loan funded expenditure.~~
  - i. Approves the purchase of the properties at 160, 168 and 176 Devonport Road and 134 Durham Street, for an amount up to \$14,500,000 as non-budgeted loan funded expenditure.*
  - ii. Delegates authority to the Chief Executive to complete due diligence, negotiate and execute the agreements required to purchase the properties.
  - iii. Notes that a further report will be presented to Council to discuss redevelopment options or a potential joint venture/development agreement to fully activate the site.
  - iv. Notes that a review of Council's Property Acquisition and Disposal policy will be initiated together with a comprehensive report on the treatment of future strategic and tactical property purchases.
  - ~~v. Approves a \$11m increase to the borrowing resolution for the 2022/23 financial year to enable debt funding of this purchase.~~
  - v. Approves a \$14.5m increase to the borrowing resolution for the 2022/23 financial year to enable debt funding these purchases.*
  - vi. Retains resolution (b)(i) and (b)(v) and Attachment A in confidential, with resolution (b)(i) and (b)(vi) to remain in confidential until such time as settlement occurs. Attachment A to remain in the confidential section indefinitely.

Council report “13.4 Construction of Car Parks 160-176 Devonport Road” (3 July 2023)

CO11/23/4 - That the Council:

- (a) Receives the report "Construction of Car Parks 160-176 Devonport Road".
- (b) Provides notices of termination with respect to all existing tenancies on 160-176 Devonport Road.
- (c) Approves construction of 97 car parks on 160-176 Devonport Road for a total unbudgeted estimated cost of \$1.43 million excl. GST for the 2023/2024 financial year to be funded from the parking activity.
- (d) Approves a \$1.43 million increase to the borrowing resolution for the 2023/24 financial year to enable debt funding of this purchase.
- (e) Transfers the report and resolutions into the open upon conclusion of the lease negotiations.



**13.3 CBD - Strategic Property Purchase****File Number:** A14262004

**Author:** Gert van Staden, Senior Strategic Advisor  
 Mark Harrington, Business Analyst & Partner  
 Paul Davidson, Chief Financial Officer  
 Curtis Bones, Manager: Strategic Property & Commercial Facilitation

**Authoriser:** Paul Davidson, Chief Financial Officer

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a) of the <i>Local Government Official Information and Meetings Act 1987</i> .
<b>Sub-clause and Reason:</b>	s7(2)(b)(ii) and s7(2)(i) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information and The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

**PURPOSE OF THE REPORT**

1. To approve the purchase of 160 – 176 Devonport Road, comprising three separate titles for the purpose of strategic property investment.
2. To signal a review of Council's Property Acquisition and Disposal policy, to potentially make provision for purchases such as the above property, which currently fall outside of the scope of the Strategic Acquisition Fund.

**RECOMMENDATIONS**

That the Council:

- (a) Receives the report "CBD - Strategic Property Purchase".
- (b) Resolves as follows:
  - (i) Approves the purchase of the properties at 160, 168 and 176 Devonport Road, for an amount up to \$11,000,000 as non-budgeted loan funded expenditure.
  - (ii) Delegates authority to the Chief Executive to complete due diligence, negotiate and execute the agreements required to purchase the properties.
  - (iii) Notes that a further report will be presented to Council to discuss redevelopment options or a potential joint venture/development agreement to fully activate the site.
  - (iv) Notes that a review of Council's Property Acquisition and Disposal policy will be initiated together with a comprehensive report on the treatment of future strategic and tactical property purchases.
  - (v) Approves a \$11m increase to the borrowing resolution for the 2022/23 financial year to enable debt funding of this purchase.
  - (vi) To retain resolution (b)(i) and (b)(v) and Attachment A in confidential, resolution (c)(i) and (c)(vi) to remain in confidential until such time as settlement occurs. Attachment A to remain in the confidential section indefinitely.

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**EXECUTIVE SUMMARY**

3. Council has been approached by the owner of 160 – 176 Devonport Road, with the intent to gauge Council's interest in acquiring the properties, outside of a competitive market process.
4. The properties front Devonport Road as well as Second Avenue and is effectively the gateway into the inner CBD. The properties are tenanted and returns approximately 2.5% (gross) per annum, minimising holding costs, however, there is still a deficit of approximately \$411,000.00 per annum to be funded. There is scope to lower the holding costs, by reviewing the current rental amounts, leasing out two vacancies (currently on the market) as well as potential to create some on-grade carparking to increase the total return generated by the properties. The intention is that these options will be developed to maximise the return of the site to minimise any funding shortfall.
5. The properties are earmarked for commercial/mixed use redevelopment in Priority One's CBD blueprint, which forms part of Council's City Centre Action and Investment Plan.
6. With this property becoming available, staff have identified several facets of the Strategic Acquisition Fund which does not enable it to be used efficiently for acquisitions of this nature. Staff will review this policy, to enable it to be used more strategically and flexibly, while still retaining appropriate checks and balances.
7. Staff recommend that the acquisition be approved, debt-funded, as it represents an opportunity to secure prime landholdings, in line with the CBD redevelopment strategy.

**BACKGROUND**

8. Council has been provided the opportunity to secure a prime landholding within the CBD, outside of a competitive market process. The properties are located at 160, 168 and 176 Devonport Road, approximately 180 metres South of the Regional Council building, and 250 metres South of the site for the new City Council offices.
9. Priority One has the site earmarked for quality office and retail space, ideally suited to larger corporates who desire a strong inner-city presence. The blueprint indicates that it can potentially offer around 4,000 square metres of space.
10. The current owners of the premises no longer require the property, as they have secured alternative accommodation, and wish to divest of this asset.
11. The property represents a prime opportunity for Council to obtain a significant landholding at a time where it finds itself with hardly any noteworthy inner-city property assets.
12. The current vendor has indicated that there are high level plans available to redevelop the property into a carpark, as a short-term holding option. As an alternative, the majority of the tenants are willing to stay on, meaning that there is an immediate return on investment minimising holding costs while redevelopment of the site is considered more fully.
13. Securing the property enables Council access to a prime piece of real estate. Should this go to the open market, there is real risk that the properties could be sold off as individual parcels to separate purchasers, compromising the overall level of potential redevelopment. There is also a risk that the properties, once sold, could be land banked indefinitely without any activation which is contrary to Council's City Centre Action Investment Plan, with these properties being identified as a catalyst development.
14. It is intended that there will be a reasonable due diligence period, to allow Council to properly assess this purchase and the opportunities it represents, prior to settlement taking place.

**Funding**

15. This land purchase will not be funded from the strategic acquisition fund due to its quantum so will be loan funded outside of the current borrowing programme approval limits. The current borrowing resolution for the 2022/23 financial year as approved by council on 25 July

2022 is for \$184m. This land purchase will require an \$11m increase to this approved level for a borrowing limit of \$195m which would increase total gross debt to \$934m.

16. There is a likelihood of this amount being adjusted lower, as we are still awaiting our independent property valuation report.

### STRATEGIC / STATUTORY CONTEXT

17. Council is working towards the community outcomes of a well-planned city (Tauranga Tātai Whenua) and a city that supports business and education (Tauranga a Te Kura). Delivering on these outcomes requires efficient use of land with intensification of uses around town and neighbourhood centres, with a specific focus on areas in and around the CBD.

#### Strategic Property

18. Property is a key enabler to the delivery of Council's strategy and objectives.
19. A significant driver for the acquisition of this property is to enable Council to have access to the right property at the right time. What is especially relevant is that these properties are situated in the CBD and supports the vision of a vibrant and attractive city centre.
20. It is imperative that Council have access to landholdings, both to provide for future need and to enable Council to operate in the property sector as a landowner, providing us with opportunities to influence and drive outcomes identified in our key policies and strategies, like the City Centre Action Investment Plan, which identified 160 – 176 Devonport Road as a catalyst development.
21. The subject properties can be utilised for a myriad of uses, which include redevelopment (potentially through a joint venture or development agreement) into office blocks or mixed commercial use.
22. The locale of the site directly supports Council's Urban Form and Transport Initiative (2020), in that its redevelopment will intensify existing urban areas, connect and strengthen the neighbourhood and provide for employment/housing in centralised locations. Intensification of existing areas also provides the community with more and/or alternative transport choices, which could lead to a greater uptake of public or alternative transport, easing congestion and the City's carbon footprint.
23. In line with the City Centre Action Investment Plan, the community's aspirations for the City can be supported by the redevelopment of this site, specifically the aspirations for increased housing choice, to see the City's potential realised and a supported city centre business community.
24. What makes the acquisition more attractive is that it currently returns approximately 2.5% (gross) per annum, minimising holding costs. There is also an opportunity to explore short to medium term carparking as a holding option, while redevelopment of the site is considered in more detail by the various Council Activities.

#### Sub Regional Strategy

25. Council Urban Form and Transport Initiative (UFTI) (2020) sets out objectives for the sub-region, which include delivering on a connected centres programme. This work focuses on:
  - a. Intensifying existing urban and new growth areas
  - b. Encouraging strong local centres and connected neighbourhoods, through concentrating the provision of services, housing and employment in centralised locations across the city.
26. One of UFTI's objectives is to enable and shape a sustainable, vibrant, efficient, and more liveable urban form. The subject properties are strategically located, maximising the use of urban land and enhancing the vibrancy of the CBD.

#### Government Direction

27. The National Policy Statement-Urban Development requires Council to enable density by removing restrictive planning rules, with the intent of enabling intensification surrounding centres and major public transport routes.
28. The Devonport Road properties have a proposed height limit of 48 metres in Plan Change 33, situated within the City Centre Business Zone, making it a prime candidate for redevelopment.

#### Strategic Acquisition Fund (SAF)

29. The SAF enables Council to act expeditiously on acquisitions as they arise, allowing us to compete with the market, and even sometimes offer an early purchase option to vendors without the need to go to market. This competitive advantage has enabled us to secure properties on short notice and with a high level of efficiency.
30. This specific property falls outside of the scope of the SAF, as there is time to prepare a Council report to authorise the purchase and budget to go with it. The quantum of this purchase also requires separate treatment as it is excess of the amount contained in the SAF.
31. To provide for a more flexible use of the SAF, staff recommend that it be reviewed, to potentially make it a viable source of funding for these types of acquisitions. This will also offer increased budgeting capabilities for the SAF.
32. It is intended that the review will lead to two budget or funding streams, one for high-value landholding acquisition, like the subject of the report, and the other to serve as a funding source for more operational or tactical acquisitions, funded by Council's major activities through the Annual Plan or Long-Term Plan. Funding has been adjusted in the 2022/23 Annual Plan to reflect this approach within current budget constraints and a paper will be presented to Council in the new year outlining this approach in greater detail.

#### 160 – 176 Devonport Road

33. The subject site is well-located and a strategically sound purchase, as indicated by the above assessment against key documents and national direction. The properties have a cumulative Capital Valuation of \$15,200,000, with the vendor's valuation report indicating a market value of \$10,500,000. Council's valuers are progressing an independent valuation report which will guide Council's negotiation strategy for this acquisition, if approved.
34. A Geotechnical Investigation Report has been commissioned for this site, based on a 1,500sqm office building, basement carparks and a two-storey carpark building. It was noted that the sea-facing cliff to the east of the site does not provide any slope stability risk.
35. There are numerous options for redevelopment, some which include short-term holding options, while detailed design is considered more fully. There are also alternative options, one which is to purchase the site, and then on-sell to a developer who is amenable to activate the site in terms of Council's strategy for a vibrant and attractive CBD. Attachment A contains concept drawings for an office block.
36. The properties are currently tenanted, with three of the four agreements being monthly arrangements, with the final agreement expiring 31 July 2023. When assessed against the market valuation, the gross return on investment is approximately 2.5%, which excludes the two vacancies. Net return is around the 1.4% mark.
37. The buildings have been assessed to be in average condition, considering their use and age, without any significant maintenance requirements.
38. Taking into account the nature of the properties, the immediate rental return mitigating holding costs as well as the redevelopment options, staff recommend acquiring the properties subject to Council being satisfied with due diligence.

#### OPTIONS ANALYSIS

##### Option 1

Approve the purchase of 160 – 176 Devonport Road (recommended).

Key risks: Increased expenditure and holding costs. Holding costs are mitigated by the current rate of return.

Financial impact: \$11m increase in debt costs, annual opex costs of \$125,000 and a return of 2.6% gross per annum. After interest and depreciation expense are included an annual deficit of \$411,000 is generated, which will require rates funding in the absence of alternative funding being explored to minimise this deficit.

#### **Advantages**

Provides an opportunity to:

Obtain strategic property in the heart of the CBD.

Acquire property without the uncertainty and potential competition associated with an auction or tender.

Ability to intensify use of key properties, as opposed to the private sector which may landbank indefinitely or deliver outcomes not in line with Council's strategy.

#### **Disadvantages**

Additional borrowing costs and impact on debt.

Rates increase to cover the funding of 0.2% however it is expected that this will reduce based on increased tenancies, parking charges, etc

#### **Option 2**

Reject the acquisition of the properties.

Key risks: No ability for Council to acquire the properties in one transaction, potential of the properties being parcelled off individually at auction and not being activated or activated contrary to Council's strategy for the CBD.

Financial impact: No financial impact

#### **Advantages**

No additional funding required

#### **Disadvantages**

A dwindling stock of strategic properties within the CBD

No guarantee that the properties may come to market again or be developed appropriately if sold to the private market.

Land banked indefinitely by the private market.

## **FINANCIAL CONSIDERATIONS**

39. Council intends to fund this purchase by additional borrowing, which for new debt is set at 4.8%.
40. Taking into account the estimated operational expenditure, including rates, depreciation and interest, the properties return around 1.4% net, meaning that some rates funding is required, in the amount of \$411,775 per annum (representing the elements which are rates funded).
41. The financial impact currently shows a deficit of the site to cover holding costs. Further work will be undertaken to look for rental return from the two vacancies and rates payable by all of the tenants, together with a total transaction cost for the properties closer to the valuation amount, the rates funded deficit can be lowered to 0.106%, or approximately \$244,825.00 per annum. This increases the gross return to approximately 3.5% and the net return to 2.8%. At grade parking will also be investigated given the added advantage of increased parking stock together with increased revenue.
42. As part of the due diligence process, the lease terms and estimated operational expenditure will be confirmed to gauge the viability of the acquisition in the short term, along with options for the site's redevelopment, feedback to Commissioners will be provided on an ongoing basis.
43. Funds in the Strategic Acquisition Fund is not sufficient to cover the purchase costs, nor is the policy associated with this fund set up for acquisitions of this nature. There is no budget which can be brought forward from other activities, as the intention is to hold the property for a yet to be determined final purpose.
44. The asset will be held by Council's Strategic Property Activity, until such time as it can be transferred to another Council activity, like Spaces and Places or City Redevelopment and Partnerships, who will then reimburse the Strategic Property Activity, with funding coming from the Activity to which the asset is transferred.
45. The amount proposed to be raised in the resolution is based on the valuation report obtained by the vendor, however, our valuers are in the process of delivering an independent report which will guide Council's negotiation strategy for this acquisition.

#### LEGAL IMPLICATIONS / RISKS

46. Should Council decide to not pursue this purchase, there is a likelihood that the risks mentioned in Option 2 may come to pass. This is especially likely given the low confidence in the development industry at present, the EBOSS 2022 Construction Industry Confidence Report shows confidence has dropped significantly with 59% of builders and 46% of architects predicting the sector to deteriorate — almost double 2020 figures.
47. Considering the strategic location and size of the property, coupled with the overall low risk of property purchases (can be on-sold in future years if required), an acquisition of this site aligns with future vision and plans for the CBD.

#### CONSULTATION / ENGAGEMENT

48. The proposed purchase is for properties identified in Council's City Centre Action and Investment Plan, which has been consulted on. It forms part of Priority One's blueprint for the CBD as a catalyst redevelopment.
49. Additionally, Council's recently adopted Long Term Plan Amendment specifically notes that the city centre is transitioning from being a traditional retail/service centre to becoming the major civic, cultural, business, educational, residential and commercial hub of our region. This purchase represents an opportunity for Council to play an active role in seeing the strategic direction for the City become a reality.
50. In terms of the net financial impact, while the purchase is loan funded, the revenue associated with the holding costs minimises the total financial impact to Council. However, it does acquire an amendment to the borrowing resolution to fund the acquisition.

#### SIGNIFICANCE

51. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
52. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
  - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
  - (b) any persons who are likely to be particularly affected by, or interested in, the matter.
  - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
53. In assessing the matter against the policy, officers are of the opinion that it is of High significance, taking into account the value of the proposed purchase price.
54. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of high significance, based on the above assessment.

#### ENGAGEMENT

55. Taking into consideration the above assessment, that the decision is of high significance, engagement and consultation is required under Council's Significance and Engagement Policy.
56. However, the nature of the decision renders consultation impractical and/or inappropriate, based on the timeframes within which the vendor requires an offer to be made. Should engagement and consultation take place, there is a high likelihood that the properties would have been sold by the time that engagement/consultation concludes, leading to a missed opportunity.
57. Officers are therefore of the opinion that paragraph 5.7 of the Significance and Engagement Policy applies, particularly that maintaining confidentiality is of paramount importance so as not to prejudice Councils negotiating position.
58. Additionally, the rate of return offered by the properties offsets a fair portion of the rates-funded elements of the purchase with minimal impact to ratepayers.
59. It should also be noted that the properties can also be on-sold, making the decision relatively easy to reverse and that a thorough due diligence will identify any potential issues with the acquisition, mitigating the risks associated with the decision.
60. Councils Property Acquisition and Disposal Policy makes provision for unscheduled acquisitions and is defined as "an acquisition that either is not contemplated by and in accordance with the long-term plan or annual plan or occurs ahead of the financial year within which it was planned and budgeted for".
61. It also states that unscheduled acquisitions allow council to acquire property on a proactive and efficient basis, ensuring that council can take advantage of market opportunities. Unscheduled acquisitions support council to:
  - i. Deliver improved economic, environmental, social or cultural outcomes; and
  - ii. Meet its future operational requirements, by allowing for the advantageous purchase of property not anticipated for in the current financial year.
62. Based on the reasons above, staff consider that despite the decision being of high significance, that it is not appropriate to consult and that the Significance and Engagement Policy provides adequate direction for the decision to forego engagement and consultation.

#### NEXT STEPS

Public Excluded Council meeting Agenda

12 December 2022

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63. Negotiate a sale and purchase agreement.
64. Undertake due diligence and investigate feasibility of redevelopment and/or holding options.

**ATTACHMENTS**

1. **Attachment A - renders - A14262966**



### 7.3 Tauranga Art Gallery land purchase - chronology and record of decisions

**File Number:** A16662333

**Author:** Simon Collett, Manager: Commercial Advisory  
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**Authoriser:** Gareth Wallis, General Manager: City Development & Partnerships

Please note that this report contains confidential attachments.

Public Excluded Attachment	Reason why Public Excluded
Item 7.3 - Tauranga Art Gallery land purchase - chronology and record of decisions - Attachment 1 - Extract of Agenda - Council - 2023, December 11 - Public Excluded	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

#### PURPOSE OF THE REPORT

- To present an overview of the preceding chronology and decision-making relating to the purchase by Council of the Tauranga Art Gallery land from the Tauranga Art Gallery Trust.

#### RECOMMENDATIONS

That the Council:

- Receives the report "Tauranga Art Gallery land purchase - chronology and record of decisions".
- Transfers into the open section the report titled 'Tauranga Art Gallery land purchase and capital project update' and its three attachments, originally considered by Council on 11 December 2023 in the public-excluded section of the meeting (the report and its three attachments are currently included as **Confidential Attachment 1** to this report).

#### EXECUTIVE SUMMARY

- Improvements to the Tauranga Art Gallery, particularly its re-alignment to opening onto Masonic Park, have been a part of the Civic Masterplan, since renamed Te Manawataki o Te Papa, for many years.
- Those improvements provided the opportunity to create efficiencies and undertake additional critical asset management works on the Art Gallery at the same time. While some external funding was obtained for those additional critical asset management works, a significant funding gap arose that the Tauranga Art Gallery Trust needed to meet.
- After consideration of various options, the Tauranga Art Gallery Trust and Council determined that the preferred approach to the funding gap was for council to purchase the Art Gallery land at 108 Willow Street from the Trust, at market value, enabling the Trust to then fund the critical asset management works.
- On 11 December 2023, in the public-excluded part of its meeting, Council resolved to purchase the Art Gallery land.

6. Staff consider that the reasons for confidentiality as at 11 December 2023 no longer exist, and recommend that that report and its attachments now be released into the open.

## BACKGROUND

### Tauranga Civic Masterplan and the Art Gallery

7. At its meeting of **6 December 2021**<sup>2</sup>, Council adopted the Tauranga Civic Masterplan (Refreshed 2021) and noted that to implement the Masterplan would require a formal and consulted amendment to the Long-term Plan 2021-2031.
8. This 'Refreshed 2021' version built on the 2018 Masterplan, also prepared by Willis Bond, had been adopted by Council in June 2018. The 'Refreshed 2021' version identified (at page 16) the desire to realign the Tauranga Art Gallery so that it faced onto Masonic Park:
- 'New openings to Art Gallery increases interaction with Masonic Park and Precinct.'*
9. At its meeting of **21 February 2022**<sup>3</sup>, Council formally resolved to consult on an amendment to the Long-term Plan 2021-2031 relating to the Civic Precinct Masterplan (now named Te Manawataki o Te Papa). At that stage, while the Art Gallery was clearly within the defined area of Te Manawataki o Te Papa and highlighted on the Masterplan drawings, it was not identified as a separate project within the Masterplan. The 21 February 2022 report states (at paragraph 32):
- 'Discussions are underway with the Art Galley as to the implications of the Masterplan for the gallery, particularly the enhancements to Masonic Park. The intention is to explore opportunities to maximise the benefits of the investments.'*
10. Following public consultation, the amendment to the Long-term Plan 2021-2031 was confirmed by Council at its meeting of 24 May 2022 and then, following the appropriate audit processes, formally adopted at its meeting of 27 June 2022. At that stage, the Art Gallery was still not shown as a separate project within the overall adopted budget of \$303.4 million<sup>4</sup>.

### Art Gallery Entranceway project

11. At its meeting of **12 December 2022**<sup>5</sup>, Council considered a report titled 'Te Manawataki o Te Papa – Preliminary design and cost report'. That report specifically identifies the Art Gallery as a separate sub-project with its own budget allocation of \$1.5 million. Paragraph 44 of the cover report, in explaining the revised costings compared to the adopted Long-term Plan Amendment ("LTPA") figures, notes that:
- 'Art Gallery costs are included within the individual project cost items in the LTPA. These have been separated into their own project line for the enhanced costs presented.'*
12. The detailed Preliminary Design and Cost Report, prepared by Willis Bond and attached to the above report to Council, includes at page 45, a summary of the design approach for the Art Gallery noting the Key Objectives as:
- ' - Improving the function of the Gallery through the orientation and placement of entries and functions that relate to the building's façade.*
- Integrating the Gallery into the wider Te Manawataki o Te Papa precinct to exploit the marriage value of this community asset contributing to the complete precinct.*
- Investigations have been undertaken to consider both a base case scheme, where the entrance is repositioned onto Masonic Park, and future development options sitting outside this project scope.'*

<sup>2</sup> [https://infocouncil.tauranga.govt.nz/Open/2021/12/CO\\_20211206\\_AGN\\_2368\\_AT\\_EMBEDDED.PDF](https://infocouncil.tauranga.govt.nz/Open/2021/12/CO_20211206_AGN_2368_AT_EMBEDDED.PDF) - see item 11.1

<sup>3</sup> [https://infocouncil.tauranga.govt.nz/Open/2022/02/CO\\_20220221\\_AGN\\_2421\\_AT\\_EMBEDDED.PDF](https://infocouncil.tauranga.govt.nz/Open/2022/02/CO_20220221_AGN_2421_AT_EMBEDDED.PDF) - see item 11.6

<sup>4</sup> All amounts expressed in this report are exclusive of GST.

<sup>5</sup> [https://infocouncil.tauranga.govt.nz/Open/2022/12/CO\\_20221212\\_AGN\\_2470\\_AT.PDF](https://infocouncil.tauranga.govt.nz/Open/2022/12/CO_20221212_AGN_2470_AT.PDF) - see item 11.1

13. Page 45 of the Willis Bond report also states:

*'Warren and Mahoney has completed a feasibility report on the Art Gallery, identifying potential (re)development options that could be undertaken. Cost estimates are currently being worked through to understand the level of refurbishment targeted in the \$1.5 million budget allowance.'*

14. Regarding the \$1.5 million budget, page 52 of the Willis Bond report notes:

*'The Art Gallery ... refurbishment allowance of \$1.5 million ... (has) remained the same.'*

### **Expansion of Art Gallery Entranceway project**

15. The results of the Warren and Mahoney feasibility report, noted in paragraph 13 above, were reported to Council at its meeting of **20 March 2023**<sup>6</sup>.

16. That report, and the Warren and Mahoney feasibility report, proposed:

*'re-orienting the Gallery entrance, which will increase the prominence and visibility of the main entry, while also improving connectivity to Masonic Park and the rest of Te Manawataki o Te Papa precinct*

*the addition of 'jewel box' pop outs (that) will extend the Gallery footprint to the property boundaries, while also providing an opportunity for a potential café and retail offering*

*changes to the existing internal feature stairway to further open up the main atrium space, increasing flexibility, spaciousness, and exhibition wall space.'*

17. The Warren and Mahoney proposals and early concept designs were costed by Rider Levett Bucknall whose report was attached to the report to Council.

18. Council approved additional budget of \$1.88 million (spread over two financial years) to give effect to the above, taking the total budget for the Art Gallery project to \$3.38 million. Council also formally noted in its resolution that this would have no impact on the ratepayer-funded portion of Te Manawataki o Te Papa, as the additional funding would be sourced through a combination of private donation, the Tauranga Airport Reserves, corporate sponsorship, and/or other external funding sources.

19. The revised \$3.38 million project value was subsequently reflected in a report titled 'Te Manawataki o Te Papa – Design and Cost Update Report' that was considered by Council at its meeting of 24 July 2023<sup>7</sup>, and later in Attachment 1 to a report titled 'Annual Plan 2023-24 Revised Capital Budgets' that was considered by Council at its 4 September 2023 meeting<sup>8</sup>.

### **Art Gallery – additional critical asset management work required**

20. Subsequent to the 23 March 2023 report to Council, the Art Gallery and project team identified additional critical asset management works to be considered alongside the revised entranceway project.

21. The Art Gallery identified that, while the building was to be closed for the above works, it made sense to undertake other critical asset management works that had been identified but not scheduled. This included:

- replacement of the ageing heating, ventilation and air conditioning ("HVAC") system; and
- exterior painting and other upgrades to the building.

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<sup>6</sup> [https://infocouncil.tauranga.govt.nz/Open/2023/03/CO\\_20230320\\_AGN\\_2502\\_AT\\_SUP.PDF](https://infocouncil.tauranga.govt.nz/Open/2023/03/CO_20230320_AGN_2502_AT_SUP.PDF) - see item 11.2

<sup>7</sup> [https://infocouncil.tauranga.govt.nz/Open/2023/07/CO\\_20230724\\_AGN\\_2510\\_AT.PDF](https://infocouncil.tauranga.govt.nz/Open/2023/07/CO_20230724_AGN_2510_AT.PDF) - see item 11.2

<sup>8</sup> [https://infocouncil.tauranga.govt.nz/Open/2023/09/CO\\_20230904\\_AGN\\_2512\\_AT.PDF](https://infocouncil.tauranga.govt.nz/Open/2023/09/CO_20230904_AGN_2512_AT.PDF) - see item 11.1

22. Additionally, work undertaken during the detailed design phase (and confirmed by independent seismic experts) identified the need for a seismic upgrade of the building to bring it up to a 50% New Building Standard rating.
23. These works were not budgeted for as part of the \$3.38 million approved. As at August 2023, it was established that these additional works, if proceeded with, would lead to an unfunded budget shortfall of approximately \$3 million.
24. At this stage discussions commenced with the Tauranga Art Gallery Trust on the potential funding gap.

### **Initial proposal to the Tauranga Art Gallery Trust on the potential funding gap**

25. On 30 August 2023, the Tauranga Art Gallery Trust board considered a memo authored by council's General Manager: City Development and Partnerships. That memo states that its contents had been considered by the Commission.
26. The memo briefly sets out options to address the funding gap and then proposes that council purchase the Art Gallery land from the Tauranga Art Gallery Trust. The proposed terms of that purchase included:
  - the purchase of 100% of the land at the value of the shortfall ;
  - the long-term lease-back of the land by the Tauranga Art Gallery Trust at a peppercorn rental; and
  - an option for the Tauranga Art Gallery Trust to re-purchase the land at any time at the above sale price plus an annual 'cost of funds recovery' percentage.

### **Response from the Tauranga Art Gallery Trust**

27. The Tauranga Art Gallery Trust rejected the above proposal, but indicated they were open to a sale at market value. When discussing market value, they referenced the land value for rating purposes which was, at that time, \$5.3 million<sup>9</sup>.

### **ART GALLERY LAND PURCHASE – PUBLIC EXCLUDED REPORT**

28. On **11 December 2023**, Council considered, as a public excluded item, a report titled 'Tauranga Art Gallery land purchase and capital project update'.
29. That report was retained in confidential to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) as per section 7(2)(i) of the Local Government Official Information and Meetings Act 1987.
30. Council resolved to retain that report in confidential '*until the purchase of the property is settled, expected to be March 2024*'.
31. While the March date has passed, the purchase of the property has not been settled. Settlement per the sale and purchase agreement does not occur until three weeks after practical completion of the upgrade works is achieved i.e. the works have been completed and code compliance certificates have been issued for works done under the relevant building consents.
32. However, as the negotiations on the sale and purchase are complete, staff consider that there is no longer any reason to retain that report in confidential. As such, recommended resolution (b) to this report recommends releasing the 11 December 2023 report into the open.
33. The transfer of a report from public excluded ahead of the conditions stipulated in a previous Council resolution can only be actioned by Council. As such, the 11 December 2023 report is included as **Confidential Attachment 1** to this report and its contents will be described in

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<sup>9</sup> Rating valuation as at 1 July 2021: land value \$5.3m; improvements value \$5.32m; total capital value \$10.62m. The current rating valuation, as at 1 May 2023, states: land value \$4.15m; improvements value \$5.11m; total capital value \$9.26m.

the following sections of this report in a way that does not breach that confidentiality. If Council accepts recommended resolution (b), then a fully detailed discussion can be had in the open session of this meeting.

### Updated project costs

34. The 11 December 2023 report provided an update on the potential costs of the original project, as well as recognising the additional critical asset management works identified above. There were three elements to the update.
35. Firstly, the final cost estimates from the developed and detailed design phases increased the core project value from \$3.38 million to \$4.3 million (including \$443,000 for contingencies).
36. Secondly, the critical asset management work on the HVAC system, exterior painting and other building upgrades was estimated at \$2.41 million (including \$314,000 for contingencies).
37. Thirdly, the seismic upgrade work was estimated at \$847,000 (including \$153,000 for contingencies).
38. Taken together, this meant that the total project had potential to move from the \$3.38 million approved in March 2023, to a proposed \$7.557 million.
39. This created a funding shortfall of almost \$4.2 million.
40. The 11 December 2023 report states that \$900,000 had been secured from the Tauranga Art Gallery Foundation, TECT, and Pub Charity Limited but that the remaining funding gap was expected to be met by the Art Gallery.

### Project benefits

41. The Director of the Art Gallery prepared a brief 'business case' that identified the benefits of the overall capital upgrade project. That was summarised in the 11 December 2023 report as follows:
  - An opportunity to undertake significant work to futureproof and improve facilities, to meet international museum standards and provide modern climatic levels that will protect the art on display.
  - Capital investment in the building redevelopment opens up a range of options to diversify and increase revenue beyond the current business model.
  - The Art Gallery's Visitor Experience Strategy demonstrates there is an increase in perceived value and time spent onsite if hospitality and retail are included as part of the experience. This was also evidenced in the Art Gallery's 2021/22 strategic review and visitor surveys, where residents asked for a café and bigger retail store.
  - Research of other galleries of similar sizes across New Zealand provided evidence to back up these insights.
  - The hospitality and event space has been designed in such a way that it can function as a café during the day, and catering kitchen and hospitality venue after 4pm.
  - From 4pm onwards, the catering kitchen and space becomes available for venue hire. Supported by the flexible hospitality and event space, the Art Gallery will have the option to simultaneously run multiple events and venue hires, with useable event space in the city centre currently at a premium.
  - Increased naming rights opportunities with potential corporate partners and benefactors.
  - As part of their Visitor Experience Strategy, the Art Gallery is reviewing entrance fees for domestic and international visitors. A positive experience supported by upgraded and appealing facilities, demonstrates value for money.
  - The design of the new education space as part of the current "in scope" project has a reduced footprint compared to the existing space. As part of the critical asset management work, a secondary teaching space will be created from the "negative

space” above the education space, which will accommodate students with sensory needs, amongst other users.

### **Funding options, including land purchase**

42. The 11 December 2023 report noted that the Tauranga Art Gallery Trust Board and council staff had investigated ways that the Art Gallery might fund the critical asset management works that were required. Such approaches included:
  - Full or partial purchase by council of the Art Gallery land and/or building from the Tauranga Art Gallery Trust
  - Enhanced level of service agreement(s) between council and the Art Gallery
  - A loan from council to the Tauranga Art Gallery Trust.
43. After consideration of the advantages and disadvantages of the options, the report states that the preferred approach was determined to be a purchase by council of the Art Gallery land at 108 Willow Street (but not the building which occupies that land).
44. To establish a market value, both council and the Tauranga Art Gallery Trust had commissioned independent valuations of the land.
45. The 11 December 2023 report then discusses:
  - the two valuations;
  - a proposed purchase price by Council;
  - the potential terms of a ground lease to the Tauranga Art Gallery Trust; and
  - ongoing operational funding from Council for the Art Gallery.

### **Council decision**

46. After consideration of the 11 December 2023 report, Council resolved as per the recommended resolutions in that report. In summary, and recognising that the resolutions are also confidential until they are released by Council, those resolutions are:
  - delegated authority to the Chief Executive to purchase the Art Gallery land on Council’s behalf at an established sum;
  - delegated authority to the Chief Executive to execute ongoing lease arrangements with the Art Gallery;
  - approved an increase to the 2023/24 borrowing programme to provide debt financing for the purchase;
  - approved phasing of the \$7.55 million project as \$5.036 million in 2023/24 and \$2.518 million in 2024/25; and
  - agreed a maximum capital contribution to the full programme of works by the Tauranga Art Gallery Trust of a set amount.

### **Subsequent actions**

47. The sale and purchase agreement with the Tauranga Art Gallery Trust was signed on 22 July 2024. Physical works on the site began in September 2024 and are set to be complete in May 2025.

## **STATUTORY CONTEXT**

48. Tauranga Art Gallery Trust is a council-controlled organisation as defined by section 6 of the Local Government Act 2002. There is no legislative restriction on the sale and purchase of land between Council and a council-controlled organisation.

## **STRATEGIC ALIGNMENT**

49. The Art Gallery, and the Art Gallery development discussed through this report, contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	□
We are a well-planned city	✓
We can move around our city easily	□
We are a city that supports business and education	✓

50. The Art Gallery provides cultural, social and educational benefits to all those who interact with it (visitation targets for a year when the Gallery is open all year are 35,000).
51. The Art Gallery aims to create exceptional art experiences that engage, inspire, challenge, and educate through exhibitions, public programmes, and events.
52. The intent of the Art Gallery development is consistent with a range of strategic documents including the Civic Centre Masterplan – Te Manawataki o Te Papa, the Tauranga Moana Waterfront Plan, the City Centre Action and Investment Plan, and the Arts, Culture and Heritage Action and Investment Plan.

### OPTIONS ANALYSIS

53. This report is for information purposes and therefore contains no options.

### FINANCIAL CONSIDERATIONS

54. Financial considerations of the purchase of the Art Gallery land are covered in the 11 December 2023 report. There are no additional financial considerations generated by this report.

### LEGAL IMPLICATIONS / RISKS

55. Legal implications and risks were covered in the 11 December 2023 report. Again, there are no additional implications or risks generated by this report.

### TE AO MĀORI APPROACH

56. The matters addressed in this report have no direct and specific relationship with Council's Te Ao Māori approach.

### CLIMATE IMPACT

57. The matters addressed in this report have no direct and material impact on the climate, positively or negatively.

### CONSULTATION / ENGAGEMENT

58. The wider Te Manawataki o Te Papa project was consulted on widely before being included in the amended Long-term Plan 2021-2031.
59. Other than with the Tauranga Art Gallery Trust, there was no consultation or engagement undertaken prior to the decision to purchase the Art Gallery land.

### SIGNIFICANCE

60. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.

61. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region;
  - (b) any persons who are likely to be particularly affected by, or interested in, the matter; and
  - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
62. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter of the purchase of the Art Gallery land is of medium significance, but that the decision to receive this information-only report (and to release the previously confidential 11 December 2023 report) is of low significance.

### ENGAGEMENT

63. Taking into consideration the above assessment, that the decision to receive the report and to release the 11 December 2023 report is of low significance, officers are of the opinion that no further engagement is required prior to Council making those decisions.

### NEXT STEPS

64. This is an information-only report. No further steps are proposed.
65. The development of the Art Gallery is mid-construction and continues as part of the wider Te Manawataki o Te Papa project.

### ATTACHMENTS

1. **Extract of Agenda - Council - 2023, December 11 - Public Excluded - A16737324 - Public Excluded**



## 7.4 Sale of the Marine Precinct

**File Number:** A16662331

**Author:** Simon Collett, Manager: Commercial Advisory  
Fiona Nalder, Principal Strategic Advisor  
Tracey Hughes, Financial Insights & Reporting Manager

**Authoriser:** Paul Davidson, Chief Financial Officer

Please note that this report contains confidential attachments.

Public Excluded Attachment	Reason why Public Excluded
Item 7.4 - Sale of the Marine Precinct - Attachment 6 - Public Excluded - Ensuring the future of the fishing community - Sale of the Marine Precinct	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

### PURPOSE OF THE REPORT

1. This report provides a summary of the background to the divestment of the Marine Precinct, highlighting the substantial economic benefits this sale would bring to the city via the development of a superyacht repair and refit facility.
2. It also seeks approval to complete further work exploring future options for Tauranga's fishing and working boat community and to investigate equity, funding and/or financing options to help meet the cost of wharf infrastructure.

### RECOMMENDATIONS

That the Council:

- (a) Receives the report "Sale of the Marine Precinct".
- (b) Completes further work exploring options for Tauranga's fishing and working boat community, including the development of wharf infrastructure connected to privately owned and/or Council owned land.
- (c) At the earliest opportunity, explore equity, funding and/or financing options to help meet the cost of delivering all wharf infrastructure (but in particular to support Tauranga's fishing and working boat community).
- (d) Requests a further report with the findings of the above work, as soon as is reasonably practicable.

### PUBLIC EXCLUDED ATTACHMENTS

- (a) **Attachment 6** can be transferred into the open following completion of discussions and negotiations with stakeholders, including private landowners.

### EXECUTIVE SUMMARY

3. Council purchased the Marine Precinct land in 2004. In 2014, Council secured a \$5 million grant from the Bay of Plenty Regional Council's Regional Infrastructure Fund and, together

with Council funding (funding sources included sale of sites with Precinct), developed the Marine Precinct into a facility to support the marine industry in Tauranga.

4. This included the acquisition of a 350-tonne vessel hoist, and construction of hardstand areas for vessel maintenance, a washdown pad, and supporting services like electricity and water supply. The new facilities were designed to cater to the needs of a broad range of marine users, from large commercial vessels to smaller recreational boats.
5. Whilst these facilities have been welcomed by the marine industry, it became apparent that Council was not best placed to further develop the site or be the long-term operator of the Precinct. The specialised nature of the commercial marine refit and repair industry requires specific expertise, commercial freedom and operational capabilities beyond Council's core business functions. Vessel Works has consistently operated at a loss as a result of not being able to properly leverage commercial opportunities that might otherwise be available to the private sector.
6. The sale of the Marine Precinct and the Vessel Works operation was seen as the next logical step in the Precinct's evolution, allowing the private sector to bring in additional investment and expertise to take the site forward. The sale would also allow Council to refocus its resources on other critical areas, while ensuring that the Marine Precinct continues to operate and develop in-line with its original purpose. Additionally, the Precinct has been operating at a loss for several years, and sale of the Precinct would remove this cost to ratepayers.
7. In late 2023 Council received a proposal to purchase the Marine Precinct from Sam Rofe, who had a vision for the Marine Precinct *"to emerge as the premier superyacht refit destination, where luxury meets precision, and dreams are meticulously crafted into reality."*
8. Feedback from the local marine sector, Vessel Works staff, and superyacht captains has identified a significant shortage of large berths in Tauranga suitable for superyachts. This shortage has deterred many superyachts from choosing Tauranga as a destination for their service and maintenance work, resulting in lost opportunities for the local marine industry. Informal discussion with marine stakeholders suggested that they were not willing to invest significant private capital in Tauranga without a properly functioning Marine Precinct.
9. In November 2023 Council decided to progress negotiations to sell the Marine Precinct to Sam Rofe, and in April 2024 Council approved the key terms of sale. This included a sale price of \$13 million and a commitment by Council to fund the cost of the development of an alongside wharf and a replacement of the existing Bridge Wharf. In May 2024 Council approved up to \$29.2 million for this work. In addition, Council approved up to \$7.8 million to replace Fishermans Wharf.
10. The sale of the Marine Precinct to Sam Rofe for development as a superyacht repair and refit facility will bring substantial economic benefits to Tauranga, far greater than the benefits being currently delivered by the Precinct. The Marine Industry Association of New Zealand (MIA) noted that superyacht refits in New Zealand typically range from \$3 million to \$10 million per project, depending on the size and scope of the work.
11. In addition to this, the economic multiplier effect for superyacht refit facilities is often cited as being between 2.0 and 3.0. This means that for every dollar spent directly on a superyacht refit, an additional two to three dollars are generated in the local economy through indirect and induced spending.
12. As well as the sale providing these substantial economic benefits to Tauranga, it removes a loss-making activity from Council's portfolio. Council would retain ownership of the alongside wharf and replaced Bridge Wharf, and continue to receive income from the use of these wharves (minus management fees and profit share).
13. One challenge the sale presents is the need to find alternative berthage for most of the fishing and working boat ("black boat") users of Bridge Wharf. While the roll-on roll-off ferry services may continue to berth at Bridge Wharf, the berthage needs of commercial fishing vessels are likely to be incompatible with the operations of a superyacht facility.

14. This report seeks Council direction to complete further work exploring options for Tauranga's fishing and working boat community, including the development of wharf infrastructure connected to privately owned and/or Council owned land.
15. Additionally, it seeks Council commitment to explore equity, funding and/or financing options to help meet the cost of wharf infrastructure, including the alongside wharf, replacement Bridge Wharf and any additional wharf development needed to meet the needs of the fishing community.
16. Note that the previous reports provided as attachments to this report were in public excluded originally, but have been moved to open prior to this report being published.

## BACKGROUND

### The Marine Precinct

17. The Marine Precinct, also known as Vessel Works, is a Council owned marine servicing hub located at Sulphur Point in Tauranga. It covers approximately 2.98 hectares and is zoned for Port Industry (see Map 1 below, the Marine Precinct is outlined in red, the blue areas indicate privately owned sections within the Precinct).

Map 1: Marine Precinct



18. The Marine Precinct offers various marine services and is strategically located with the following key features.
  - Situated within Sulphur Point, home to a wide range of complementary marine activities.
  - Deepwater access to the harbour.
  - Convenient connections to key transport routes.
19. Tauranga City Council (Council) established the Marine Precinct to support and grow the region's marine industry, an integral part of the local economy.

## History of the Marine Precinct

20. Most of the land on which the Marine Precinct is located is reclaimed. This area was historically used by mana whenua for collecting shellfish. Reclamation activities took place from 1928 onwards and in 2004 the land was purchased by Council from the Port of Tauranga. At the time of purchase, covenants were put in place to ensure that the site is used for 'Marine Related Activities', defined as operations or activities that provide goods and/or services to the marine industry.
21. The decision to purchase and develop the site was driven by the recognition that the marine sector, particularly in a coastal city like Tauranga, needs specialised infrastructure to support its ongoing growth. Tauranga's marine industry includes a diverse range of activities such as boat building and maintenance, commercial fishing, recreational boating, and marine-related tourism, all of which contribute to the region's economy.
22. Prior to Council's intervention, Tauranga's marine industry was operating with limited facilities. Council, in collaboration with the Bay of Plenty Regional Council (BoPRC), identified the need to create a dedicated space for marine repair and refit activities to address these limitations and enable growth.
23. The initial improvements to the Marine Precinct were jointly funded by Council and the BoPRC, which provided Council with a \$5 million grant from the Regional Infrastructure Fund (2014). The project was seen as a critical infrastructure investment, aimed at strengthening the local marine economy and positioning Tauranga as a leader in marine services.
24. Council largely met its share of the cost to develop the Marine Precinct via the sale of land parcels located within the Precinct. Whilst this provided valuable revenue at the time, since then Council has purchased back some of these sites to maximise the future potential of the Precinct.
25. At the time of purchase, the Marine Precinct had a fishing fleet loading and unloading wharf and a commercial boat ramp. Phase one of the Marine Precinct's development built on these facilities and included the acquisition of a 350-tonne vessel hoist, and construction of hardstand areas for vessel maintenance, a washdown pad, and supporting services like electricity and water supply. The new facilities were designed to cater to the needs of a broad range of marine users, from large commercial vessels to smaller recreational boats.
26. The investment in this infrastructure was intended to reduce operational costs for marine businesses, attract new investment, and increase the region's capacity to handle marine projects that previously had to be outsourced to other cities.
27. In December 2021 Council agreed on the following vision for the Marine Precinct, '*Helping grow the region's commercial marine sectors so they can add value to the local community*' and adopted a spatial plan for the Precinct (CO24/21/1).
28. This report also presented a review of the Marine Precinct's operating model by Ernst and Young which highlighted that the specialised nature of the commercial marine refit and repair industry requires specific expertise, commercial freedom and operational capabilities beyond Council's core business functions. This report contributed to Council's decision to sell the Precinct.
29. Note that the previous reports provided as attachments to this report were in public excluded originally, but have been moved to open prior to this report being published.

## Sale of the Marine Precinct

30. In July 2023 Council established an Asset Realisation Reserve (ARR) as the first step in progressing the divestment of Council properties which have been identified as:
  - No longer needed for operational or strategic purposes, or
  - Available for disposal to achieve a strategic purpose with a defined trigger or timeframe for that disposal.

31. At the time of establishing the ARR, Council also identified a group of properties for management via the ARR, including the Marine Precinct. This recognised Council's assessment that the future ownership and management of the Marine Precinct was best delivered by a private entity with the necessary industry knowledge, financial resources, and commitment to further develop the site.
32. The sale of the Marine Precinct was seen as the next logical step in the Precinct's evolution, allowing the private sector to bring in additional investment and expertise to take the site forward. The sale would also allow Council to refocus its resources on other critical areas, while ensuring that the Marine Precinct continues to operate and develop in-line with its original purpose.
33. The sale was also critical to ensure the long-term financial sustainability of the Marine Precinct, as its present form was costing ratepayers. There is no ratepayer funding going into this activity at present, but the existing model is delivering losses and is not financial sustainable.
34. Council staff initially engaged with Orams, the only specialist black and white refit yard operator in New Zealand that Council was aware of at the time. Whilst Orams agreed with Council regarding the potential of the Marine Precinct and its site-specific advantages, they were not interested in purchasing the Precinct. Superyacht Coatings was also asked to reach out to boat owners and industry stakeholders to gauge interest, but nothing came of that process.
35. Council then received a proposal from a Christchurch based developer (Sam Rofe) who wished to purchase the Marine Precinct for development into a boat yard targeted at luxury vessels, with a vision for the Marine Precinct *"to emerge as the premier superyacht refit destination, where luxury meets precision, and dreams are meticulously crafted into reality."*
36. Sam Rofe's proposal for the site included purchasing most of the site and aligned with Council's and BoPRC's intention for the Marine Precinct. The specialised nature of the Marine Precinct means that if Council had wished to pursue a sale on the open market, it would have taken time, required funding a marketing approach which would reach international investors, and may or may not have delivered an appropriate buyer.
37. In recognition of these considerations and in light of the completed informal market engagement, Council decided in November 2023 (see Attachment 1) to commence a negotiation process with Sam Rofe (the Purchaser) and only consider a market process if negotiations with the Purchaser were unsuccessful.
38. As part of its negotiation process, Council completed due diligence to ensure that the Purchaser had the financial capability and industry expertise to make the necessary investments in the precinct, thus protecting the long-term interests of Tauranga's marine industry.
39. Council decided to exercise its discretion and not consult further on the sale of the precinct for two primary reasons.
  - i. The potential divestment was signalled in the Long-Term Plan Amendment (which was consulted on).
  - ii. Council staff have worked through the plan for the Precinct with stakeholders and have continued to maintain dialogue throughout (as far as practicable).
40. In April 2024 (see Attachment 2) Council was presented with draft terms of sale for consideration. Council delegated to the Chief Executive the authority to sign an Agreement for the Sale and Purchase of the Marine Precinct and an interdependent Agreement for the Sale and Purchase of the Vessel Works Business on the terms set out in the April report.
41. The terms of sale included a purchase price of \$13m plus GST, the lease-back to Council of part of the site (to allow for the transition of working boat operators) and a financial commitment by Council towards the cost of building a new alongside (offloading) floating

wharf and a replacement Bridge Wharf (up to \$29.2 million as approved by Council in May 2024, see Attachment 3).

42. The covenants, put in place when Council purchased the site, will remain post-sale and are a key part of the sale agreement. These will ensure that the site remains dedicated to marine purposes, protecting the original strategic intent of the precinct. The Purchaser has also expressed a commitment to align with the vision shared by both Council and BoPRC, which includes plans for the development of wharf infrastructure to expand the site's operational capacity.
43. Council also ensured that the final Sale and Purchase Agreement includes provisions to monitor the Purchaser's compliance with the covenants and development commitments, ensuring accountability in the long-term management of the site.
44. The key terms of the Agreement are as set out in the attached Price Waterhouse Cooper document which has been provided to Audit New Zealand (Attachment 4).
45. The Sale and Purchase Agreement with the Purchaser has been executed and is now unconditional, the deposit has been paid, and the first tranche of payments is due to settle on 22 November 2024, with the remainder to be settled within 5 years.

### Expected benefits for Tauranga

46. The decision to transfer ownership of the Marine Precinct to a specialised private entity was primarily driven by the fact Council does not have the financial means to properly develop the site, or the required industry knowledge to ensure the precinct continues to develop in line with the needs of the marine sector. Additionally, as a public sector entity, Council's decision-making processes are not optimised to ensure the commercial success of the Precinct.
47. In line with this, and in accordance with a report received from TwentyTwo consultants, Council determined at a formal Council meeting that private ownership would enable more efficient management and development of the site, allowing for greater flexibility and responsiveness to market demands.
48. From a financial perspective, the sale of the Marine Precinct will allow Council to redirect resources towards its core business areas, while the private sector takes on the financial and operational responsibilities associated with managing the precinct. The sale process itself was designed to ensure that Council receives fair value for the asset, and the involvement of a purchaser with proven industry expertise provides confidence that the precinct will continue to generate economic benefits for the city. Over recent years the Marine Precinct has operated at a loss, and the sale removes this ongoing cost to Council, and allows for resources directed to the Precinct to be refocussed elsewhere (see Financial Considerations for more detail).
49. The ongoing development of the Precinct under private management is expected to lead to enhanced marine services, further investment in infrastructure, and the creation of additional skilled employment opportunities. This is expected to have a positive flow-on effect for Tauranga's broader economy, strengthening the city's position as a key player in New Zealand's marine industry.
50. Additionally, the covenants in place on the title ensure the long-term use of the site for marine purposes.
51. The development of the site by the Purchaser for superyacht purposes does mean that the much of the existing black boat use of the site (berthage and load/unload facilities), including commercial fishing, will need to be relocated and Council has committed to budget to redevelop alternative facilities for this user-group.

52. The economic multiplier effect for superyacht refit facilities is often cited as being between 2.0 and 3.0.<sup>10</sup> This means that for every dollar spent directly on a superyacht refit, an additional two to three dollars are generated in the local economy through indirect and induced spending.
53. A 2019 study by New Zealand Trade and Enterprise (NZTE) reported that the superyacht industry, including refit and maintenance, contributes approximately \$150 million annually to the economy.
54. Below is a discussion of the benefits the development of the Marine Precinct for superyacht refit purposes will deliver to Tauranga and the region, additional information is provided in Attachment 5.

#### *Direct Economic Impact*

55. Refit Expenditures: The average superyacht refit project can range from hundreds of thousands to several million dollars, depending on the extent of the work required. A study by Superyacht Australia found that a single superyacht refit can generate direct expenditures of up to \$5 million USD (\$8.05 million NZD). The Marine Industry Association of New Zealand (MIA) noted that superyacht refits in New Zealand typically range from \$3 million to \$10 million per project, depending on the size and scope of the work. Feedback from vessel owners who have undergone significant refit at the Marine Precinct indicate they spend approximately \$5k-10k per vessel/day with local marine refit businesses.
56. Local Spending: A large proportion of this expenditure is typically spent locally on materials, labour, and services, including shipyard fees, engineering, painting, electronics, and interior work. This can include local subcontractors, suppliers, and service providers, boosting the local marine and trades economy.
57. Job Creation: Each refit project provides skilled employment for local workers such as engineers, electricians, carpenters, painters, and project managers. Superyacht refit projects can generate both short-term and long-term job opportunities within the marine sector and beyond. For example, the refit of a single 60-metre yacht could employ over 100 people during the duration of the project.

#### *Indirect Economic Impact*

58. Tourism and Hospitality: When a superyacht is brought to a region for refit, its crew and sometimes the owners or guests spend extended periods in the area. This spending on accommodation, food, transport, and entertainment injects additional revenue into the local economy. A study on the refit industry in the Mediterranean estimated that crew-related spending could contribute several hundred thousand dollars per yacht during the refit process.<sup>11</sup>
59. Supply Chain: The demand for materials and components for superyacht refits stimulates a wide range of local industries, including manufacturing, logistics, and service providers. These industries experience a multiplier effect as they receive additional business from superyacht-related activities.

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<sup>10</sup> The following reports collectively suggest that investments in superyacht infrastructure yield robust economic benefits, typically reinforcing the 2.0 to 3.0 multiplier range for related activities in this sector: [Superyacht attraction initiatives paying off for New Zealand - Marine Business News](#)  
[superyacht-australia-industry-fact-sheets\\_final\\_080323.pdf \(infrastructure.gov.au\)](#)  
[Governing Body meeting held on 23/11/2017 - Item 14 Consideration of America's Cup 2021 location, infrastructure and funding - Attachment Auckland's Super Yacht Industry - Outlook and Potential Economic Impacts by m.e consulting \(aucklandcouncil.govt.nz\)](#)  
[Auckland superyacht development to deliver jobs and economic benefits \(sail-world.com\)](#)

<sup>11</sup> For information on the economic impact of superyacht crew spending during refits in the Mediterranean, the *Superyacht Refit Report* by The Superyacht Group provides a comprehensive analysis.  
[The Superyacht Refit Report by The Superyacht Group - Issuu](#)  
[SuperyachtNews.com - Operations - Out Now: The Superyacht Refit Report](#)  
[Palma, strategic hub of the 'refit' sector in the Mediterranean. \(balearicmarinecluster.com\)](#)

*Long-term Regional Benefits*

60. **Industry Reputation:** The presence of a high-quality superyacht refit facility enhances a region's reputation as a maritime hub. This can lead to more superyacht traffic, which creates repeat business for the refit facility and attracts more yachts to the region. Refit facilities that build a strong reputation for quality work often experience long-term growth as word spreads in the superyacht community.
61. **Boost to Related Sectors:** The wider local marine industry will benefit from the presence of superyacht presence. Yacht brokers, charter services, shipyards, marinas, and marine equipment suppliers all stand to gain when superyachts refit in a particular area. For instance, the International Council of Marine Industry Associations (ICOMIA) found that regions with robust superyacht refit facilities see sustained growth in related marine sectors.

**Wharf Development at the Marine Precinct**

62. As part of the sale and purchase agreement for the Marine Precinct, Council has committed up to \$29.2 million for the development of an alongside wharf and the replacement and upgrade of Bridge Wharf. These wharfs are essential for the success of the Precinct and will remain in Council ownership.
63. The Purchaser will receive a 35% management fee on the berthage and 40% of the revenue after deduction of the management fee. Council will receive the balance of the revenue (i.e. 60% of the revenue after deduction of the management fee). The reason for the Purchaser receiving a share of the revenue is to support the Vessel Works business. The Purchaser contended through negotiations that this would enable the business to operate at a small profit, with the past poor financial performance of Vessel Works being proof that a large share of the berthage is required to ensure it is not a loss-making activity. The Purchaser does not intend for Vessel Works to receive other income (apart from storage on the hard stand and haul out, as it does currently) and receiving a share of the wharf revenue is intended to enable the success of businesses located on the Precinct.

*Alongside Wharf Development*

64. The purpose of the alongside wharf is to provide a facility that will enable larger vessels to berth alongside for maintenance and refit services. The alongside wharf will allow vessels to remain in the water during servicing, which is essential for certain operations that do not require a haul-out but need easy access for repairs or loading. At up to 160m in length, it will be the longest floating refit wharf in the southern hemisphere (to Council's knowledge). It also will have the benefit of a 600amp power supply which will allow large vessels to plug into onshore power. Access to this large a power supply from an alongside wharf is unique and will contribute to the desirability of the Precinct as refit and repair facility.

*Bridge Wharf Replacement and Upgrade*

65. The Bridge Wharf, which serves as berthage for commercial vessels, will be replaced as part of the Marine Precinct development.
66. The replacement and upgrade will increase the wharf's capacity and safety standards, allowing more vessels to use the facility simultaneously and providing safe and efficient access for vessel maintenance.
67. Bridge Wharf in its current state is entering end of life. Even with regular maintenance, it cannot continue to be used safely in its current form, as the main spine of the wharf will reach the end of its life in nine years.
68. As part of its replacement and upgrade the existing load/unload wharf (load ice and fuel, unload fish) used by the fishing fleet will be removed. Once replaced and upgraded the new Bridge Wharf will be focussed on superyachts, a growing industry domestically and internationally, as this will be the focus of the Marine Precinct post-sale. Tauranga currently lacks adequate berths for superyachts, limiting the ability for these vessels to visit the city.



### Costs

69. Over the 2024-2034 Long-Term Plan (LTP) period Council currently has allocated:
  - For the wharf extension (alongside) - \$11.449M.
  - For the Bridge Wharf maintenance works - \$10.9M.
  - For the “Central Plaza Wharf” \$8.96M.
70. The estimated costs for construction of each element are:
  - For the wharf extension - \$11.2-12.4M (worst case therefore \$951K shortfall).
  - For the Bridge Wharf upgrade - \$15.5M-16.8M (worst case therefore \$5.9M shortfall).
71. Council, together with Priority One, is seeking an equity investment from Central Government through the Regional Infrastructure Development and Investment Unit (Kanoa). Other funding and financing opportunities are also being looked for.
72. Future reports will develop funding options for wharf construction allowing for these facilities to be funded appropriately - this includes maximising user fees with the potential need for rate input to recognise the wider economic benefits that this facility will bring.

### The impact of the sale of Marine Precinct on current users

73. The Purchaser of the Marine Precinct is focussed on the growth potential offered by the domestic and international superyacht market. Conditions in the sale and purchase agreement for the Precinct reflect this focus and will result in most of the black boat operators (working boats) relocating from berths within the Precinct.
74. Some larger vessels critical to servicing Tauranga (vehicle ferry services) will be able to remain berthed at the new Bridge Wharf. However, the fishing fleet will need to relocate, and it is uncertain as to whether the YWAM KOHA (a vessel used to provide dental and other services to Pacific Islands) will be able to continue to be berthed within the Precinct.

### Meeting the needs of the city’s commercial fishing community

75. With the closure of the Sandford fish processing plant, Tauranga has become a transit point for fish caught on the east coast of the North Island. The vast bulk of the fish unloaded in Tauranga are loaded into trucks and transported north for processing.
76. As discussed above, the development of the Marine Precinct as a superyacht facility will result in the displacement of the commercial fishing community who currently use Bridge Wharf, as these two activities are not compatible.
77. Whilst it is difficult to find any data on the economic benefit the fishing fleet brings to Tauranga, or how many people it employs, it is acknowledged that the local fishing fleet contributes to the broader New Zealand marine industry and supports some local jobs, supply chains, and ancillary services.
78. Council is committed to working with the fishing community to find a berthing solution. Two possibilities exist, development of wharf infrastructure connected to privately owned *and/or* Council owned land. Further information is provided in publicly excluded Attachment 6.
79. Funding, in the Long-Term Plan Amendment and pursuant to a previous Council report, has been allocated for this. Further, Council will work with the fishing fleet operators and Kanoa to come up with a solution that supports the local fishing industry with a long-term view.

### STATUTORY CONTEXT

80. Council followed the disposal process set out in Council's Property Acquisitions and Disposals Policy and has considered its consultation requirements under the Local Government Act 2002 (LGA), as discussed under the consultation and engagement section of this report.

**STRATEGIC ALIGNMENT**

81. This contributes to the promotion or achievement of the following strategic community outcome:

	Contributes
We are an inclusive city	<input type="checkbox"/>
We value, protect and enhance the environment	<input type="checkbox"/>
We are a well-planned city	<input type="checkbox"/>
We can move around our city easily	<input type="checkbox"/>
We are a city that supports business and education	✓

82. The Our Direction document, which sets out Council’s strategic direction for the city, highlights investment into the marine sector as a focus for Council and its economic development partner, Priority One.

83. The sale of the Marine Precinct for continued use and development as a marine services hub directly aligns with this focus.

84. Utilising Marine Precinct as a superyacht refit and repair facility will provide significant direct and indirect economic benefits to Tauranga, as well as supporting the development of specialist skills.

85. Whilst fishing operators may be concerned about their displacement from the Precinct, Council is committed to securing alternative premises, ensuring the future viability of this industry in Tauranga.

**OPTIONS ANALYSIS**

**Option One (Recommended)**

86. Council completes further work investigating:

- options for Tauranga’s fishing and working boat community, including the development of wharf infrastructure connected to privately owned and/or Council owned land.
- equity, funding and/or financing options to help meet the cost of delivering all wharf infrastructure (but in particular to support Tauranga’s fishing and working boat community).

87. Key risk: This option has minimal risks, as it is an investigative piece of work, however resulting proposals may carry a number of risks, and these will be discussed in subsequent reports. The primary risk at this stage is that Council expends staff time and costs investigating options which do not deliver positive outcomes.

Advantages	Disadvantages
<p>Allows Council to further engage with the black boat community</p> <p>Allows Council to investigate a range of solutions for the future continuity of the fishing sector in Tauranga.</p> <p>Provides the potential of securing equity, funding and/or financing to contribute towards the cost of wharf infrastructure.</p>	<p>Requires Council to commit further staff time and cost.</p>

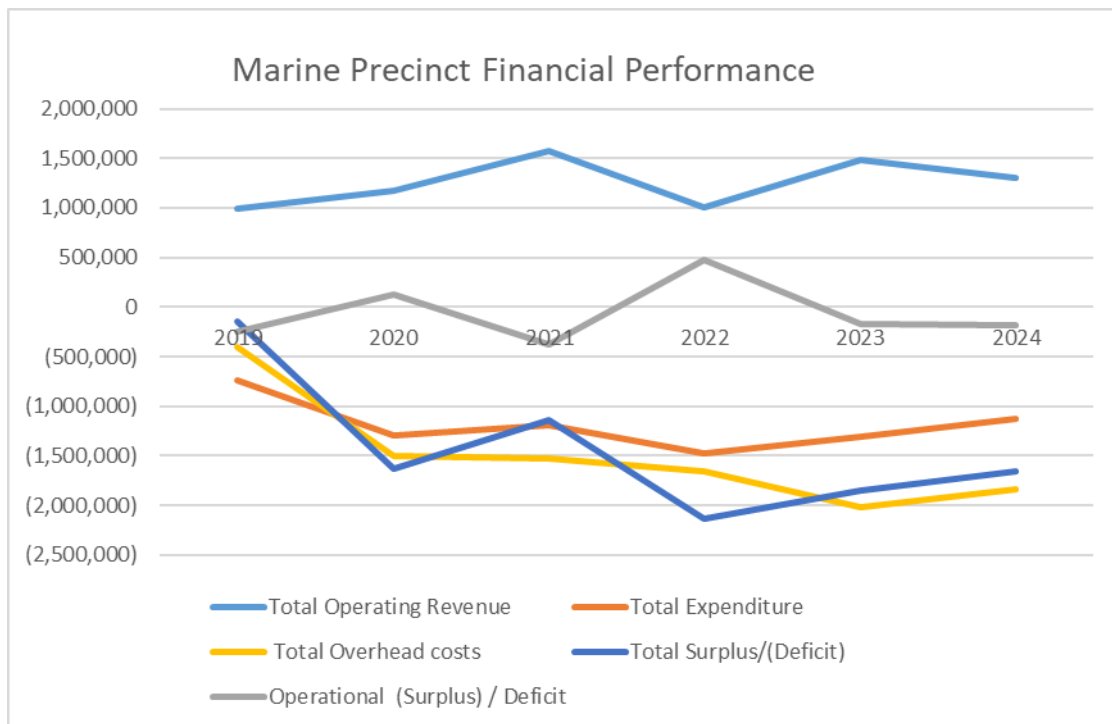
**Option Two (Not recommended)**

88. Council does not complete further work investigating:
- options for Tauranga’s fishing and working boat community, including the development of wharf infrastructure connected to privately owned and/or Council owned land.
  - equity, funding and/or financing options to help meet the cost of delivering all wharf infrastructure (but in particular to support Tauranga’s fishing and working boat community).
89. Key risks: That Tauranga’s commercial fishing sector is negatively impacted by its lack of access to Bridge Wharf, jeopardising the viability of the sector and that Council must meet the full cost of wharf developments at the Marine Precinct.

Advantages	Disadvantages
<p>Council does not allocate further resources towards the investigation of options for the delivery of wharf infrastructure for the fishing community and towards investigating equity, funding and/or financing options for wharf infrastructure.</p> <p>Council does not spend additional funds on the delivery of wharf infrastructure for the fishing community.</p>	<p>Tauranga’s commercial fishing sector is negatively impacted by the lack of access to suitable wharf infrastructure.</p> <p>Council loses the opportunity to secure external equity, funding and/or financing to help meet the cost of wharf development.</p> <p>Council’s reputation is damaged by its decision to not pursue options for the commercial fishing and work boat community.</p>

**FINANCIAL CONSIDERATIONS**

90. As set out on the below graph, the Marine Precinct operates at a reasonably substantial loss. It has achieved a small gross surplus, but after considering depreciation, Council overheads and interest costs, the total trading deficit is currently around \$2M pa.



Notes to graph

- 2023 figures exclude vessel demolition costs and expense recovery in 2023 to remove anomaly.
- Overheads includes depreciation, internal debt servicing and Council corporate overheads.

91. There is currently \$26.3M of debt allocated to the Marine Precinct activity. It was resolved in July 2023 that debt allocated to Asset Realisation Reserve Assets would not be repaid unless Council resolved otherwise. Accordingly, it is presumed the debt will remain against the activity with the full proceeds of sale available for Council capital projects. Once the wharf development plans have been agreed a full funding and financing plan will be presented to Council.
92. Council obtained two valuations. The first was from Property Solutions on 3 July 2023 and the second was from PRP on 5 December 2023. The valuation comparison is attached to the Term Sheet. This does not include the 7195m<sup>2</sup> hard stand area which was valued at \$6.12M and \$7.81M by Property Solutions and PRP respectively (see discussion below). Total valuations for the divestment areas were assessed at \$19.24M and \$18.63M respectively.
93. The purchaser has agreed to align his offer with the valuation mid-point data, except with respect to the leased property at 6 Cross Road as this reflects a more recent analysis of commercial cap rates.
94. The hardstand and Vessel Works equipment have been effectively valued at:
  - (a) Hardstand – \$110K.
  - (b) Vessel Works equipment - \$250K.
95. Note also that Council had the following book values (as at 30 June 2023) for the land, improvements and equipment:
  - (a) Land \$19.5M.
  - (b) Hardstand - \$7M.
  - (c) Stormwater system - \$1.6M.
  - (d) Travel lift \$656K.
  - (e) Other equipment (CCTV, fencing, water blaster, sweeper etc) - \$482K.There will be a significant write-down of these assets.
96. The Purchaser's reasoning for the nominal values includes:
  - (a) Commerciality of the hardstand area relies entirely on what goes on around it.
  - (b) The hardstand is an enabler to attract the marine industry.
  - (c) Vessel Works has operated at a loss so, on paper, the operation assets present a liability.
  - (d) The hardstand area will not be used for anything else.
  - (e) The Purchaser will be extending the hardstand area (area 2) at a significant cost.
97. The Purchaser was also not willing to pay the "harbour front premium" of \$3.3M that was included in the Property Solutions assessment (but not the PRP) as his view is that this is appropriate for residential but not an industrial precinct.
98. There are site limitations, and the Purchaser has agreed to encumber the hardstand area so that it remains utilised for hardstand purpose only (unless economic conditions deteriorate/the business proves to be unsustainable etc). That is, the hardstand cannot be built on or used for anything else. This does materially devalue the land although arguably adds premium to the sites around it.

99. Effectively this leaves Council with:

Valuation midpoint	\$23.131M
Less 25 Hikuwai midpoint	(\$6.963M)
Less risk @ midpoint	(\$2.541M)
Plus 25 Hikuwai negotiated value	\$0.110M
Plus Vessel Works Plant and Equipment	\$0.250M
<b>Total</b>	<b>\$13.987M</b>

100. The economic benefits of the sale and development of the Marine Precinct are set out earlier in this report and in Attachment 5.

101. It should also be noted that the purchaser's investment in the site will be significant. High level numbers have been discussed but not to the required detail we would be able to record in this report at this stage.

### LEGAL IMPLICATIONS / RISKS

102. The reports of 27 November 2023 and 8 April 2024 considered the legal requirements that had to be met as part of the sale of the Marine Precinct, and can be reviewed in Attachment 1, points 29 to 34, and Attachment 2, points 37 to 43.

### TE AO MĀORI APPROACH

103. Council consulted with Mana Whenua as part of the disposal process for the Marine Precinct. Council staff met with Mana Whenua on 17 October 2023. Representatives of Ngati Tapu, Ngāti Pukenga, Otamataha Trust, Ngati Ranginui, Ngai Tamarawaho and Ngai Te Rangi were present. The assessment summary of the proposed sale of the Marine Precinct (a requirement of the Property Acquisition and Disposal Policy) was discussed at the hui. Participants were keen to stress the significance of the site, given its proximity to Otamataha Pa and the historic importance of the underlying spit for the collection of shellfish (pipi) and seafood.

104. A copy of the assessment summary was distributed by email on 7 November 2023. The email sought feedback with respect to any other cultural matters that should be identified and considered in the assessment of the property (in addition to those raised at the meeting) and any comments Mana Whenua may have in relation to the classification.

105. There appears to be general support for the kaupapa (principle) of the Marine Precinct and that it continues to support marine activities. Mana Whenua's primary concern is protection of the Mauri (special nature) and wairua (essence) of the moana – that is, the effect on its wet fish and shellfish, the potential for discharge into the moana, water space for future jetties, re-fuelling of vessels, and other future developments.

106. The Council report of 23 November 2023 (Attachment 1) noted that these issues, and particularly environmental matters, would be managed in conjunction with the Tangata Whenua of Te Awanui.

### CLIMATE IMPACT

107. The Purchaser has confirmed in writing to Council that he is committed to incorporating sustainable practices into their business model and acknowledged the growing importance of environmental considerations in the superyacht industry.

108. Marine precincts globally are increasingly adopting sustainable practices to minimise environmental impacts while supporting economic growth. These precincts typically focus on key areas such as water management, habitat protection, and renewable energy use. Council can work with the purchaser to encourage these practices.

109. Council will also work with the purchaser to ensure the redeveloped site complies with the NZMOA Clean Marine program and achieves "Gold Anchor" accreditation.

## CONSULTATION / ENGAGEMENT

110. The LGA sets out general consultation requirements for councils under section 78(1).
1. *A local authority must, in the course of its decision-making process in relation to a matter, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.*
111. In 2022, Council engaged TwentyTwo consultants to assess future development and leveraging options for the Marine Precinct. The resulting report compares different development and operating models for the precinct.
112. TwentyTwo obtained and detailed stakeholder feedback on future options for the Marine Precinct that included leasing or sale. The TwentyTwo report envisaged that Council might sell the land to a third party, relying on the land covenants and the purchaser's reputation in the relevant market.
113. Tompkins Wake has advised Council that it could, because of the engagement completed by TwentyTwo consultants, reasonably exercise its discretion under section 79(1) LGA to decide that it has complied with section 78 in a manner that was "largely in proportion to the significance" of the divestment decision.
114. In short, Council decided that no further consultation was required on the possible divestment of the Marine Precinct.
115. However, given that the black boat berthage and load/unload requirements cannot be accommodated within the Marine Precinct moving forward, it is recommended that further engagement occurs as part of assessing options for Tauranga's fishing and working boat community.
116. Further discussion regarding consultation and engagement requirements is provided by the 27 November 2023 and 8 April 2024 reports (Attachments 1 and 2).

## SIGNIFICANCE

117. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
118. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
2. (a) the current and future social, economic, environmental, or cultural well-being of the district or region
  3. (b) any persons who are likely to be particularly affected by, or interested in, the sale and development of the Marine Precinct.
  4. (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
119. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the sale and development of the Marine Precinct is of high significance. However, the decision proposed by this report, further investigation into future options for the fishing community, is of low significance.






## ENGAGEMENT

120. Taking into consideration the above assessment, that the matter is of high significance, but the decision is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.
121. Whilst the sale of the Marine Precinct is of high significance, consultation on the future of the Marine Precinct occurred previously. The decisions proposed by this report, to complete further investigation into future options for the fishing community and into options for funding and financing of all proposed wharf infrastructure, are of low significance and do not require consultation or engagement.
122. However, Council will engage with the fishing community as part of its investigation into future options for wharf access for this community, and the results of this engagement will be reported back to Council.

## NEXT STEPS

123. If Council adopts the recommendations of this report, the next steps are a further report, as soon as is reasonably practicable, which will provide information regarding:
  - options for Tauranga's fishing and working boat community, including the development of wharf infrastructure connected to privately owned and/or Council owned land.
  - equity, funding and/or financing options to help meet the cost of delivering all wharf infrastructure (but in particular to support Tauranga's fishing and working boat community).

## ATTACHMENTS

1. **Council Report - Marine Precinct - 27 November 2023 - A16874007** [↓](#) 
2. **Council Report - Divestment of Marine Precinct and Vessel Works - 8 April 2024 - A16874005** [↓](#) 
3. **Council Report - City Wharf Infrastructure Funding - 20 May 2024 - A16874008** [↓](#) 
4. **PWC summary of terms - Sale of the Marine Precinct - A16845431** [↓](#) 
5. **Economic benefits of the superyacht industry - Sale of the Marine Precinct - A16840751** [↓](#) 
6. **Public Excluded - Ensuring the future of the fishing community - Sale of the Marine Precinct - A16840752 - Public Excluded**

(Note: the attachments to the previous reports, Attachments 1 – 3 above, are not included but are publicly available on Council's website)

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**13.2 Marine Precinct****File Number:** A15244455**Author:** Simon Collett, Manager: Commercial Property  
Fiona Nalder, Principal Strategic Advisor**Authoriser:** Paul Davidson, Chief Financial Officer

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a) of the <i>Local Government Official Information and Meetings Act 1987</i> .
<b>Sub-clause and Reason:</b>	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

**PURPOSE OF THE REPORT**

1. This report seeks Council approvals required to progress the divestment of the Marine Precinct. Sale of the Marine Precinct will enable further development of the site for marine purposes, deliver economic benefits for the city, and will provide a prudent financial return for Council.

**RECOMMENDATIONS**

That the Council:

- (a) Receives the report "Marine Precinct".
- (b) Resolves that the divestment of the Marine Precinct be classified as a Strategic Disposal under the Property Acquisitions and Disposal Policy, with following site-specific strategic objectives, which would require the purchaser to:
  - i. Develop the balance of the Marine Precinct with the intention of establishing a purpose-built marine service facility (and related infrastructure) to provide a base for the region's marine sector and re-establish and promote the growth of this economic sector in Tauranga.
  - ii. Ensure that the purpose-built marine service facility is accessible to all marine operators as this is critical to the re-establishment of the marine sector in Tauranga which will in turn create significant economic benefit for the city.
- (c) Delegates the Chief Executive to develop, negotiate and execute on Council's behalf a Memorandum of Agreement between Council and Sam Rolfe, with the intent of guiding the negotiation of terms and conditions for a potential divestment of the Marine Precinct.
- (d) Resolves that if two Council signatories are required in respect of the Memorandum of Agreement, the Chief Financial Officer is delegated authority to execute the legal documentation together with the Chief Executive.
- (e) Resolves to work with the Tangata Whenua of Te Awanui to consider and address the impact of any future development on the protection of the Mauri (special nature) and wairua (essence) of the moana, with a commitment to ensuring any resulting sale and purchase agreement addresses environment protection.
- (f) Notes that the Chief Executive will approach Bay of Plenty Regional Council to seek assistance with the cost of required wharf upgrade works.
- (g) Notes that the terms and conditions of any proposed divestment of the Marine Precinct will be presented to Council for approval prior to entering into a sale and purchase

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agreement.

- (h) Note that if Council is unable to reach terms of sale that provide acceptable financial return, a further report to Council will be prepared to outline future options for the Marine Precinct.
  - (i) Retains this report in public excluded until commercial negotiations have been concluded and divestment has occurred.
- 

### EXECUTIVE SUMMARY

2. The Marine Precinct is a Council owned marine servicing hub located at Sulphur Point in Tauranga. Council purchased the site from the Port of Tauranga in 2004. The development of the Marine Precinct was jointly funded by Council and the Bay of Plenty Regional Council (BoPRC) via land sales and the Regional Infrastructure Fund.
3. The Marine Precinct provides a range of marine services and facilities, including haul-out, launch, berthage, fuelling, and unloading. The initial development included a 6,300m<sup>2</sup> hardstand, deep water marina berths, and a large travel lift capable of hauling 350T vessels.
4. It caters to a diverse group of users, including fishermen, work boats and recreational boat owners (small to medium superyachts), while also providing a base for boat building and refit businesses in Tauranga.
5. The Marine Precinct is non-core business for Council and its potential sale was highlighted in the 2021-2031 Long-Term Plan Amendment, with any resulting sale proceeds earmarked as a possible funding source for Te Manawataki o Te Papa. This approach was confirmed when the Marine Precinct was identified to be managed by the newly created Asset Realisation Reserve in July 2023.
6. This report seeks Council approvals needed to progress the sale of the Marine Precinct. These include classifying the property as a Strategic Disposal under the Council's Property Acquisitions and Disposals policy. The sale of the Marine Precinct is intended to achieve the following site-specific objectives, which would require a purchaser to:
  - Develop the balance of the Marine Precinct with the intention of establishing a purpose-built marine service facility (and related infrastructure) to provide a base for the region's marine sector and re-establish and promote the growth of this economic sector in Tauranga.
  - Ensure that the purpose-built marine service facility is accessible to all marine operators as this is critical to the re-establishment of the marine sector in Tauranga which will in turn create significant economic benefit for the city.
7. The report also seeks Council approval to commence sale negotiations with Sam Rolfe, a property developer/investor who has approached Council with a proposal to purchase most of the Marine Precinct site and develop it into a super yacht refit destination. The estimated market value price for the relevant area of the site is \$22.64m excl GST.
8. The next steps would be to develop a Memorandum of Agreement with Sam Rolfe and progress negotiations and associated work (including further due diligence). It is anticipated entering into the Memorandum of Agreement by the end of 2023. If negotiations are successful, there will be a further report to Council by the end of May 2024, seeking approval of terms and conditions for the sale.

### BACKGROUND

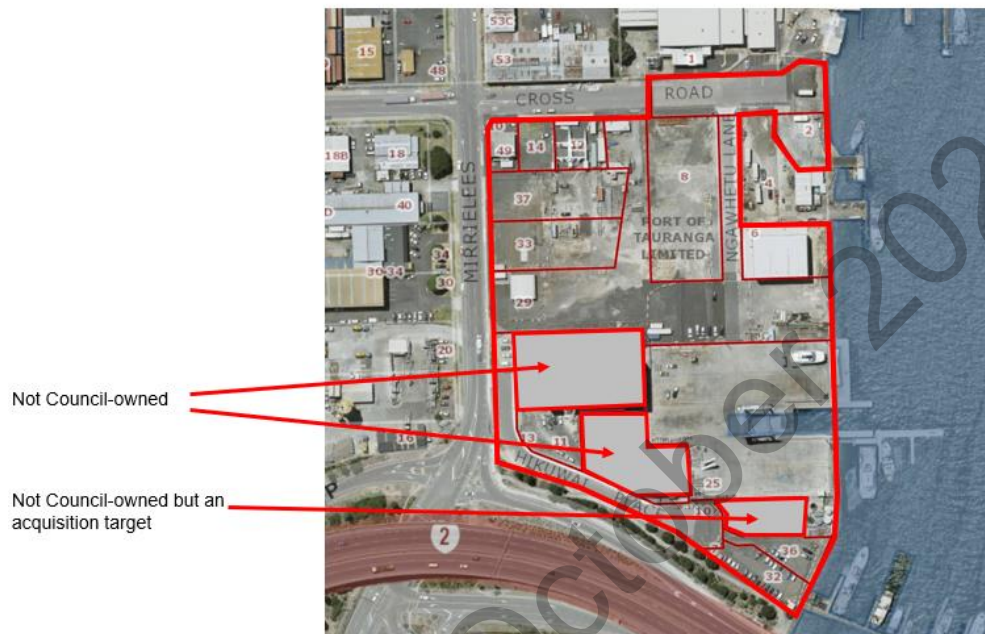
#### The Marine Precinct

9. The Marine Precinct, also known as Vessel Works, is a Council owned marine servicing hub located at Sulphur Point in Tauranga. It covers approximately 2.98 hectares and is zoned for Port Industry (see Map 1 below, Council owned areas outlined in red).

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Map 1: Marine Precinct

10. The Marine Precinct offers various marine services and is strategically located with the following key features.
- Situated within Sulphur Point, home to a wide range of complementary marine activities.
  - Deepwater access to the harbour.
  - Convenient connections to key transport routes.
11. Most of the land on which the Marine Precinct is located is reclaimed. This area was historically used by mana whenua for collecting shellfish. Reclamation activities took place from 1928 onwards and in 2004 the land was purchased by Council from the Port of Tauranga.
12. The initial improvements to the Marine Precinct were jointly funded by Council and the Bay of Plenty Regional Council (BoPRC) via land sales and the Regional Infrastructure Fund. Covenants are registered against the property requiring its development and use for marine related activities, and these obligations are reiterated in a 2014 Heads of Agreement between Council and the BoPRC.
13. Council's and the BoPRC's shared vision for the Marine Precinct is for it to support the growth of the region's commercial marine sectors by developing it into a marine refit hub for commercial working fleets and super yachts, with related support facilities.

**Demand for super yacht facilities**

14. The super yacht industry is both highly specialised and growing. Growth statistics were presented by David Good, CEO of Superyacht Australia during the 2023 Australian Superyacht and Marine Export Conference. In 2022 39 foreign-flagged super yachts were recorded as visiting Australia with an average of 47 metres and an average length of stay of 102 days. Of these yachts, 72 per cent carried out major works in the region.

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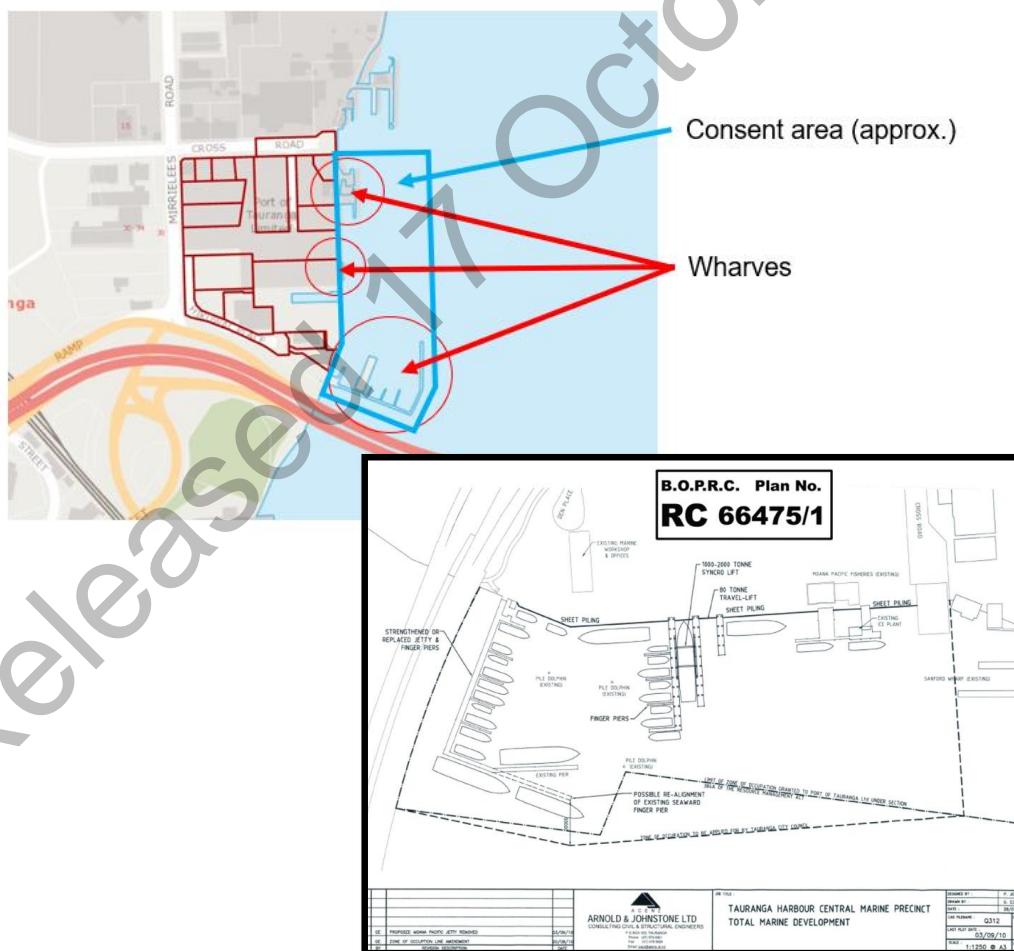
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- 15. These numbers are less than in 2020, however predictions are that numbers will continue to grow in the Asia Pacific region post-Covid, particularly in the lead up to the Olympics in Brisbane in 2032.
- 16. The Marine Precinct would effectively operate in the same market and compete with facilities in Australia.

**Current property status**

- 17. The Marine Precinct currently holds approved Ministry for Primary Industries transitional facility status. The site provides a range of marine services and facilities, including haul-out, launch, berthage, fuelling, and unloading. The initial development included a 6,300m<sup>2</sup> hardstand, deep water marina berths, and a large travel lift capable of hauling 350T vessels.
- 18. It caters to a diverse group of users, including fishermen, work boats and recreational boat owners (small to medium superyachts), while also providing a base for boat building and refit businesses in Tauranga.
- 19. Further development stages, such as expanding the hardstand space and adding additional buildings, are still being considered.
- 20. Several resource consents are in place for the marine structures (lapsing in August 2046), boatyard operations and associated discharge (lapsing in June 2031).

Map 2: Consent area



### Reasons for disposal

21. Council's purchase of the Marine Precinct, and its subsequent strategic development of the site (supported by BoPRC), has delivered highly important marine facilities and services, benefiting Tauranga's marine industry and the wider economy.
22. However further development and management of the site for marine uses best suits with the private sector. The marine sector is highly specialised and the needed skills and expertise fall outside of Council's core business.
23. Given this, this report recommends that Council commence sale negotiations with a purchaser who has demonstrated experience within their team and a commitment to further develop the site for marine purposes, in-line with the existing covenants, and Council's and BoPRC's vision.

### PREPARING THE PROPERTY FOR SALE

#### The Asset realisation Reserve

24. On 24 July 2023 Council established an Asset Realisation Reserve (ARR) as the first step in progressing the divestment of Council properties which have been identified as:
  - No longer needed for operational or strategic purposes, or
  - Available for disposal to achieve a strategic purpose with a defined trigger or timeframe for that disposal.
25. The ARR will also be used to hold resulting sale proceeds. Council has decided to utilise sale proceeds in the ARR as a funding source for Te Manawataki o Te Papa in the first instance. Proceeds held in the ARR may also be used to fund other capital projects, subject to Council resolution.
26. The report to Council which established the ARR also noted that identifying a property or asset to be managed through the ARR approach does not necessarily equate to an immediate decision to sell it. It is instead a recognition that the property/asset is no longer required by TCC for operational purposes or is available for strategic disposal.
27. Once a property is identified to be managed via the ARR, the next steps are to assess it on a case-by-case basis, and in accordance with Council's legislative requirements and policies. The Marine Precinct was identified for management via the ARR at the Council meeting of 24 July 2023, as part of the report establishing the ARR.
28. This report addresses Council's legislative requirements and policies and seeks a Council decision to progress the sale of the Marine Precinct to the next steps, including commencing negotiations with a preferred purchase.

#### Meeting legislative requirements

29. As part of any property sale, Council assesses any divestment implications under the Public Works Act 1981, as well as any other property specific legislative considerations. These are addressed as follows.
30. Public Works Act 1981. Council must consider whether it has any 'offer-back' requirements under section 40 of the Public Works Act (PWA). An 'offer-back' requirement is when Council is obliged to offer back the property to its previous owner for purchase at current market value prior to any other disposal process. Grayson Neale has provided Council with a s40 PWA report. The report indicates there are some parts of the property which would be subject to offer back requirements, but no surviving prior owners or successors can be located. Therefore, the report concludes that it would be impracticable to make the offer back and as a result meets the exception in section 40(2)(a) PWA.
31. Covenants. Council purchased the Marine Precinct from the Port of Tauranga in 2004 (with actual transference completed in 2006) and as part of this purchase, covenants were registered on the Certificate of Title. The covenants, in favour of Council and Port of

Tauranga, provide that activities on the site must be "Marine Related Activities," defined as operations or activities that provide goods and/or services to the marine industry. Council is responsible for enforcing the covenants, with the option to seek Port approval if needed. As Council is proposing to sell the Marine Precinct with requirements in place to ensure its ongoing use for marine purposes, these covenants will not impact the sale.

32. Heads of Agreement. In 2014 Council and the BoPRC entered into a Heads of Agreement which outlines various conditions, including restrictions on transferring the Marine Precinct land without BoPRC's approval and a repayment clause for the grant provided by BoPRC.
33. As set out in clause 2 of the Heads of Agreement, the date that the "Marine Industry FTE Target" has been met for 365 consecutive days (or such other day as the parties agree in writing) will be the "End Date" of the Heads of Agreement. The "Marine Industry FTE Target" means 130 full time equivalent marine sector employees (including contractors, casual workers, self-employed individuals, etc.). Between Vessel Works, Hutcheson Boat Builders, Specialised Metal Fabricators, Super Yacht Coatings, Pacific 7 Workboats, Matamata Motor Trimmers, Moana Pacific Fisheries and Robert Page Council staff believe that this requirement has been met, but do not have hard data on this. In the absence of such data, Council should look to seek BoPRC's agreement that the End Date has been passed.
34. Notwithstanding the discontinuance of other covenants in the Heads of Agreement, Council remains committed to the recorded strategic vision for the Marine Precinct. That is:
  - (a) The development of a purpose-built marine servicing facility as a base for the Region's marine sector to re-establish and grow.
  - (b) The provision of a haul out facility, that was accessible to all marine operators at a reasonable cost.
  - (c) Through the strategic vision, ensure that the local marine industry, fishing fleet, and other businesses remain sustainable.

#### Applying the Property Acquisitions and Disposals Policy

35. Council's Property Acquisitions and Disposals Policy sets Council's approach to selling Property. Prior to any sale, Council must first classify the property as either:
  - Surplus - Property that has been reviewed from a whole of organisation perspective and assessed as no longer required for strategic or operational purposes; or
  - Atypical – A unique property, which has a lack of similar sales to inform market value assessments, or a property with a range of uses (all with a significant range of values), or a property which has a different value for a sub-section of the market than it does for the market as a whole; or
  - A Strategic Disposal - Disposal of property for the purposes of achieving strategic or operational outcomes for the community.
36. When classifying a property for disposal, Council must undertake three steps, these are addressed by the following sections.

#### Step One - Assess

37. Council must assess three key elements: its statutory and legal obligations, whether the purpose of the sale is to achieve strategic objectives, and if the property is suitable for an open market sale process.
38. Legislative considerations and the suitability of the Marine Precinct for an open market process versus a direct divestment have been assessed and are discussed elsewhere in this report.
39. The sale of the Marine Precinct would seek to achieve the following site-specific strategic objectives, which would require the purchaser to:
  - Develop the balance of the Marine Precinct with the intention of establishing a purpose-built marine service facility (and related infrastructure) to provide a base for the region's

marine sector and re-establish and promote the growth of this economic sector in Tauranga.

- Ensure that the purpose-built marine service facility is accessible to all marine operators as this is critical to the re-establishment of the marine sector in Tauranga which will in turn create significant economic benefit for the city.
40. It would also deliver on Council's strategic objective of promoting and supporting the marine industry in Tauranga.
41. Alignment with Council's broader strategic objectives is discussed further in the Strategic Context section of this report.

#### Step Two - Engagement with Mana Whenua on cultural matters

42. Council staff must notify Mana Whenua of the details of the property being assessed (in this case, the Marine Precinct), provide them with a summary of the assessment (as discussed in points 37 to 41 above), and meet with them within 30 days.
43. Council staff met with Mana Whenua on 17 October 2023. Representatives of Ngati Tapu, Ngāti Pukenga, Otamataha Trust, Ngati Ranginui, Ngai Tamarawaho and Ngai Te Rangi were present. The assessment summary was discussed at the hui. Participants were keen to stress the significance of the site, given its proximity to Otamataha Pa and the historic importance of the underlying spit for the collection of shellfish (pipi) and seafood.
44. A copy of the assessment summary was distributed by email on 7 November 2023. The email sought feedback with respect to any other cultural matters that should be identified and considered in the assessment of the property (in addition to those raised at the meeting) and any comments Mana Whenua may have in relation to the classification.
45. There appears to be general support for the kaupapa (principle) of the Marine Precinct and that it continues to support marine activities. The concern is protection of the Mauri (special nature) and wairua (essence) of the moana – that is, the effect on its wet fish and shellfish, the potential for discharge into the moana, water space for future jetties, re-fuelling of vessels, and other future developments.
46. This report recommends that these issues, and particularly environmental matters, are managed in conjunction with the Tangata Whenua of Te Awanui.

#### Step Three - Classification

47. Following completing an assessment of the property and engaging with Mana Whenua, Council classifies the property via Council resolution. Once Council has classified the disposal type, Mana Whenua will be advised within 30 days of the Council resolution.
48. This report recommends that the Marine Precinct is classified as a strategic disposal. This recommendation is discussed further in the Options Analysis section of this report and in Attachment 1: Disposal Classification Assessment of the Marine Precinct.

#### **Informal Market Engagement**

49. There are limited potential purchasers for the Marine Precinct, due to the specialised nature of the services it delivers, and the strategic objectives Council wishes to see achieved by the site in the future.
50. Council staff are only aware of one specialist refit yard operator in New Zealand, Orams, and Council staff have engaged with the Chief Executive of Orams on several occasions. [REDACTED]

**PURCHASE PROPOSAL****The proposal**

51. Council has received a proposal from a Christchurch based developer who wishes to purchase a significant part of the Marine Precinct for development into a boat yard targeted at luxury vessels.
52. The developer's vision is for the Marine Precinct *"to emerge as the premier super-yacht refit destination, where luxury meets precision, and dreams are meticulously crafted into reality."*
53. The primary person involved is Sam Rofe. Sam Rofe describes himself as a habitual investor and constructor with interests in New Zealand, including agriculture, commercial property (c.\$300m) and extensive heritage restoration, tourism, technology investments and manufacturing and food production in both New Zealand & Australia.
54. The developer team also includes (note the descriptions have been provided by the developer group and are yet to be scrutinized):
- Technical - Con Beldie operates Sweep Marine Services out of Australia and reportedly has an in-depth knowledge of the workings of The Boat Works which operates in the Gold Coast Gold Coast Marina - Boatyard & Superyacht Yard | The Boat Works. Con Beldie has 25+ years' experience working in ship repair businesses.
  - Development Management - Rupert Curry, born and raised in the Bay of Plenty. A joiner by trade, Rupert Curry leveraged this to enter commercial construction (Cook Brothers) in 2012 where he first met Sam Rofe. Rupert has been an independent developer, constructor and businessman since 2014. He has interests in farming, manufacturing and distribution (Noble and Sunday), commercial property redevelopments in both Wellington and Christchurch (c.\$40m), and most recently has redeveloped downtown Tauranga's Goddard Mall to house the city's library.
  - Commercial Divestment/Leasing - Ben Lagen has completed over \$500m worth of industrial and commercial projects. He has a proven track record working alongside some of the country's largest tenants, landlords and property funds.
55. The proposed layout would necessitate an extension of the existing hardstand and construction of two large boat sheds, trade units, office area, engineering and retail units.
56. As part of this Council would potentially commit to completing:
- Construction of the concrete wharf extension (existing 40m structure increased to 160m). The projected cost of this is \$16.65M. Note, it is intended to seek a contribution from the Bay of Plenty Regional Council towards the cost of this work.
  - Upgrade or replace Bridge Wharf. Cost TBA.
57. Depending on the cost of this work there is potential for the overall sale to become uneconomic for Council, and this will be assessed as the negotiations progress.
58. The developer would purchase:
- |  |                           |
|--|---------------------------|
| • Vessel Works plus hardstand/parking land | 7195m <sup>2</sup>        |
| • Page McRae Engineering property          | 1213m <sup>2</sup>        |
| • Retail area                              | 10368m <sup>2</sup>       |
| • Boat shed area                           | 1200m <sup>2</sup>        |
| • Office/amenities area                    | 938m <sup>2</sup>         |
| • <i>Total</i>                             | <i>20914m<sup>2</sup></i> |
59. This proposal aligns with the vision for the Marine Precinct and, as the developer wishes to purchase most of the site, will deliver financial benefit for Council. The specialised nature of the Marine Precinct means that if Council wished to pursue a sale on the open market (which

is a viable option), it is likely to take some time, would require funding a marketing approach which would reach international investors and may or may not deliver an appropriate buyer.

60. Given this, it is recommended by this report that Council commences a negotiation process with Sam Rolfe and only considers a market process if negotiations with Sam Rolfe are unsuccessful.

#### Areas for further consideration

61. This proposal is high level and Council has not yet completed due diligence. There are several issues which require further investigation and discussion.
- *Implications for Super Yacht Coatings* – The proposal will likely have implications for the current Super Yacht Coatings operating model, given the Super Yacht Coatings building opens out direct on to the hardstand. The hardstand would be transferred to a third party (and potential competitor) as part of the transaction.
  - *Environmental* - The proposal references environmental matters but there was also commentary that they would undertake works on the water that they could not otherwise do in Australia. Further investigation needs to be completed to ensure that environmental protection of the harbour is fully considered and no 'dirty works' are carried out on water. (Also note comments, points 45 and 46 and recommendation (e) of this report).
  - *Con Beldie* [REDACTED]
  - *Blasting bay* – There is no provision for a blasting bay in the proposed masterplan. Consent conditions prohibit blasting (water and garnet) in the rain, limiting operations. This should be the first amenity that is provided, including the required separate water treatment system that this would necessitate. Environmental concerns arise here.
  - *Existing water treatment plant* – The proposal appears to suggest the existing water treatment plant is adequate for an expended hardstand. It is not a fit for purpose system and will require increased capacity.
  - *Car parking for contractors/workers* – There appears to be little parking provision for the workers that will be on-site.
  - *In water costs* – The proposal does not clarify who will be responsible for the costs of dredging, wharf maintenance, and water structure maintenance.
62. Additionally, Council has made certain assurances to the community and stakeholders. This will have generated certain expectations amongst the fishing and work boat (black boat) operators. The key assurances which will have raised expectations are that the Marine Precinct will:
- Provide cost-effective, shared, short-term berthage (minimum of 2 berths @ 20m) primarily for the independent fishing fleet. Used to load provisions and fuel and unload fish.
  - Provide medium term berthage for active working boats, which would include a minimum number of berths to cater to vessel with the following dimensions: 2 x 50m, 4 x 40m, 4 x 30m, 4 x 20m (assuming smaller vessels go under the bridge)
  - Deliver infrastructure, including the Haul Out Facility, which is accessible to all marine operators at a reasonable cost.
  - Ensure businesses operating onsite collaborate to offer cost-effective marine refit services, facility, haul-out and support services.
63. The proposal primarily provides for luxury white boat refits and berthage. Any black boat provision (such as the salt ice wharf) is a concession rather than an accommodation.



64. Black boats make up 67% of haulouts (approx. 35 per annum), 92% of wharf occupancy (approx. 12 black vessels at any given time) and approximately 1000 visits per annum to the loading/unloading/wharf. These customers, who are predominately local, need to be catered for, and this includes ensuring they have access to berthage, refuelling, ice, loading and unloading, and haul-outs.

### FINANCIAL CONSIDERATIONS

#### Property valuation and expected sale price

65. Property Solutions completed a market valuation of the Marine Precinct in July 2023. This valuation considered the unique characteristics of the Marine Precinct, including its location, zoning and its ability to deliver marine services which are in high demand in Tauranga. The market value of all 11 properties comprising the Marine Precinct (30608m<sup>2</sup>) was assessed as \$33.3m excl GST. The valuation assumes the harbour front (deep water access) premium is included. Without such direct access, the value potential drops to \$29.9m.
66. Sam Rolfe's proposal involves purchasing 20,914m<sup>2</sup> of the Marine Precinct site. This equates to approximately 68% of the valuation area and can be crudely assessed as having a value of \$22.64m excl GST, based on consideration of square meterage only. Further work will be completed to deliver a more nuanced assessment of the value of the land included in Sam Rolfe's proposal.

#### Projected costs

67. Below are a list of projected upgrade, replacement and maintenance costs relating to the Marine Precinct. Some of these costs will need to be met by Council, however some of these costs may rest with the purchaser over the long term.
- Hardstand Wharf Extension – approximately \$16.65M (QS)
  - Hardstand Wharf Extension Floating pontoons and Gangway - \$TBA
  - Bridge Wharf – there are two options
    - (i) Install pontoons on existing - \$TBA upfront and \$1m every 3 years
    - (ii) Replace Wharf and install pontoons - \$TBA and minimal ongoing costs for the next few years
  - Dredging water space – approximately \$1m upfront and \$500k every 5 years (this assumes a dredge depth of 5.5m, the consented maximum). Depending on the anticipated size of the vessels, this may need to be deeper, and this would require a new consent (an additional cost).
  - Unknown black boat wharf solution – the cost of this will depend on the solution.
68. Additionally, there will be standard sale related costs, these include legal fees but there will be no commission or marketing costs incurred.
69. The BoPRC may be willing to contribute to these costs, given the economic benefits that would derive from the infrastructure. This report notes that the Chief Executive will approach BoPRC to seek a funding contribution.
70. The net proceeds of sale will depend on the final upgrade costs, and how much of these costs need to be met by Council. Costs incurred by Council will form a material part of the negotiations and any agreed commercial arrangements. Given this, the potential financial outcome cannot be confirmed at this stage. There is potential that the overall sale may become uneconomic if Council needs to cover all upgrade costs and this will be a key element of negotiations.

### PROPOSED NEXT STEPS AND TIMELINES

71. If Council decides to proceed to directly negotiate with Sam Rolfe, the first step will be to develop a Heads of Agreement/Development Agreement. This would highlight any further

areas for investigation/discussion, such as the treatment of black boat operators, allocation of projected construction, upgrade, replacement and maintenance costs and environmental matters (as highlighted earlier in this report).

- 72. It is intended that a Heads of Agreement will be drafted and executed before the end of 2023.
- 73. Negotiations will continue in early 2023, and a return to Council with the outcomes of any negotiation, proposed sale and purchase terms will occur in May 2024. This report will include the results of further due diligence investigations. If negotiations are successful, and depending on Council decisions, it is anticipated entering into a formal Agreement for Sale and Purchase by the end of May 2024.

**OPTIONS ANALYSIS**

**Disposal classification**

**Option One:** Classify the sale of the Marine Precinct as a Strategic Disposal. *RECOMMENDED OPTION*

- 74. Key risk: That Council is unable to negotiate the desired strategic outcomes without compromising on the sale price.

Advantages	Disadvantages
Ensures the delivery of key strategic outcomes, namely the delivery of marine services.	There is a risk that Council may realise a lower profit on the sale in order to ensure strategic outcomes are met, decreasing the availability of funds for Te Manawataki o Te Papa.

**Option Two:** Classify the disposal of the Marine Precinct as either an atypical disposal or surplus property. *NOT RECOMMENDED*

- 75. Key risk: That Council does not achieve the desired strategic outcomes on the Marine Precinct, as the sale classification does not prioritise this.

Advantages	Disadvantages
Provides greater flexibility regarding the terms of any sale and purchase agreement, as Council will not be prioritising the achievement of strategic outcomes via the sale.  May result in a higher sale price.	Council has no control (or less control) over the strategic outcomes of the sale, as these are not prioritised via the property classification.

**Divestment Approach**

**Option One:** Commence a direct, non-competitive negotiation process with Sam Rolfe *RECOMMENDED OPTION*

- 76. Key risk: that Council is challenged for directly negotiating with Sam Rolfe, without providing an opportunity for other potentially interested parties.

Advantages	Disadvantages
Has the potential to deliver a sale outcome which delivers on Council's strategic priorities for the Marine Precinct.  Avoids the need to undertake a market process, which would incur additional costs	Requires Council to enter into a non-competitive divestment, which may potentially expose Council to criticism.

and time. May deliver funding more rapidly for Te Manawataki o Te Papa.	
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**Option Two:** Commence an open market sale process. *NOT RECOMMENDED*

77. Key risk: that Council does not achieve any proposals as favourable as the one currently being put forward by Sam Rolfe, resulting in potentially worse outcomes for the community.

Advantages	Disadvantages
Entering into a competitive process would protect Council from criticism. Council has the opportunity to test the market and see if a more favourable outcome could be achieved. Still allows for Council to achieve its desired strategic outcomes for the site.	Council risks the Sam Rolfe withdrawing his current proposal. Council may not receive any comparable proposals. Council incurs further costs related to holding and marketing the property. Increased uncertainty. Likely to take longer.

**STRATEGIC CONTEXT**

- 78. 'Supporting business and education' is one of Council's Community Outcomes, and in the Our Direction document, which sets out Council's strategic direction for the city, it highlights investment into the marine sector as a focus for Council and its economic development partner, Priority One.
- 79. The sale of the Marine Precinct for continued use and development as a marine services hub directly aligns with this focus.

**LEGAL IMPLICATIONS / RISKS**

- 80. The primary legal considerations are Council's adherence to policy and legislation, and these issues are discussed elsewhere within this report.
- 81. The key risks are that:
  - The BoPRC does not agree to release Council from its Heads of Agreement (in which case Council will argue that the End Date as passed in any case).
  - Council is not able to negotiate and secure a sale to Sam Rolfe. As a result, Council would need to reconsider its divestment approach.
  - The sale occurs but does not deliver the anticipated benefits for Tauranga (to a certain extent this can be mitigated via the terms of the sale and purchase agreement).

**CONSULTATION / ENGAGEMENT**

- 82. As part of the 2021-2031 Long-Term Plan Amendment, Council referenced the potential sale of non-core Council assets as a possible funding source for Te Manawataki o Te Papa. The Marine Precinct was specifically mentioned as one of the assets that may be considered for sale. It was noted that it was likely further consultation would be undertaken with key stakeholders prior to any disposal.
- 83. When Council is assessing whether to consult on an issue or matter, it applies the Council's Significance and Engagement Policy and considers legislative consultation requirements.

### Council's Significance and Engagement Policy

84. The policy provides guidance as to when Council should engage with the community. It includes a list of strategic assets. The decision to sell a strategic asset must be made via a Long-Term Plan and consulted on as part of that process (the Local Government Act 2002, section 97). The Marine Precinct is not a strategic asset, and therefore a decision to sell the Marine Precinct can be made without being provided for in the Long-Term Plan.
85. The policy also provides guidance to assess the significance of an issue, considering factors such as the level of community interest and financial impact. The proposed sale of the Marine Precinct is assessed as medium significance (see the following section) and Council's degree of consultation, if any, is discretionary. Any consultation undertaken may be targeted.

### Local Government Act consultation requirements

86. The Local Government Act 2002 (LGA) sets out general consultation requirements for councils under section 78(1)  
*A local authority must, in the course of its decision-making process in relation to a matter, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.*
87. This section of the LGA along does not specifically require councils to consult, and it is not feasible or desirable to consult on all Council decisions. Nor is Council bound to make decisions based solely on the results of consultation, other factors also play a role (see section 79 of the LGA).
88. In this case, Council has completed targeted engagement with key stakeholders regarding future options for the Marine Precinct, completed by TwentyTwo consultants.

### The work completed by TwentyTwo consultants

89. In 2022, Council engaged TwentyTwo consultants to assess future development and leveraging options for the Marine Precinct. The resulting report compares different development and operating models for the precinct.
90. TwentyTwo obtained and detailed stakeholder feedback on future options for the Marine Precinct that included leasing or sale.
91. The TwentyTwo report envisages that Council might sell the land to a third party, relying on the land covenants and the purchaser's reputation in the relevant market. BoPRC consent would be necessary for any divestment (subject to release from the Heads of Agreement), with the wharves likely excluded from the divestment process.

### Conclusion

92. Tompkins Wake has advised Council that it could, because of the engagement completed by TwentyTwo consultants, reasonably exercise its discretion under section 79(1) LGA to decide that it has complied with section 78 in a manner that was "largely in proportion to the significance" of the divestment decision.
93. In short, Council can decide that no further consultation is required on the possible divestment of the Marine Precinct. However, if Council is unable to reach a position with the purchaser which accommodates the requirements of the black boat operators, then it is likely that further consultation would be necessary. If this occurs, it will be addressed in future reports to Council.

### SIGNIFICANCE AND ENGAGEMENT

94. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal

or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.

95. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) the current and future social, economic, environmental, or cultural well-being of the district or region
  - (b) any persons who are likely to be particularly affected by, or interested in, the decisions.
  - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
96. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decisions recommended by this report are of low significance, as they do not bind Council to a sale of the Marine Precinct. However, the matters discussed in this report, and any subsequent sale of the Marine Precinct are of medium significance, as:
- The potential development of the Marine Precinct is of medium size and scale, with the ability to deliver a range of economic benefits to the community.
  - The proposed divestment of the Marine Precinct and its ongoing use is of relatively significant public interest.
  - The divestment would deliver moderate, but important, outcomes for the city.
97. Taking into consideration the above assessment, that the proposed sale of the Marine Precinct is of medium significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

#### ATTACHMENTS

1. **Attachment 1 - Disposal Classification Assessment of the Marine Precinct (A15289124) - A15307453**

Public Excluded Council meeting agenda

8 April 2024

**13.4 Divestment of Marine Precinct and Vessel Works****File Number: A15739801****Author: Simon Collett, Manager: Commercial Property****Authoriser: Paul Davidson, Chief Financial Officer**

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a) of the <i>Local Government Official Information and Meetings Act 1987</i> .
<b>Sub-clause and Reason:</b>	s7(2)(b)(ii), s7(2)(h) and s7(2)(i) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information, The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities and The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

**PURPOSE OF THE REPORT**

- To obtain approval for the execution of interdependent Agreements for Sale and Purchase of Real Estate and Business recording the sale of the Marine Precinct at Sulphur Point and the Vessel Works Business to Sam Rofe or his nominee (**Attachment A**).

**RECOMMENDATIONS**

That the Council:

- Receives the report "Divestment of Marine Precinct and Vessel Works".
- Delegates to the Chief Executive authority to sign an Agreement for Sale and Purchase of the Marine Precinct Land and an interdependent Agreement for Sale and Purchase of the Vessel Works Business on the terms set out in this report.

**EXECUTIVE SUMMARY**

- This report recommends the divestment of the Marine Precinct and Vessel Works business owned by the Council to Sam Rofe or his nominee. Agreement has been reached on key terms, and the report seeks approval to finalise sales and purchase agreements.
- Background information includes Council's resolution in November 2023 to classify the divestment as a Strategic Disposal and delegate negotiation authority to the Chief Executive.
- A non-binding term sheet signed in March 2024 outlines the proposed commercial terms.
- The recommended sale involves a purchase price of \$13M plus GST, with payment structured through deposits and settlements over time. The purchaser will also lease back a site to Council for up to 3 years to assist with transitional support for the working boat operators.
- Development stages and conditions are outlined, with a focus on marine industry support and strategic objectives.

7. The options analysis considers the potential of direct negotiation versus open market sale, with direct negotiation recommended due to limited potential purchasers and strategic alignment.
8. Financial considerations detail the current operating loss of the Marine Precinct, existing debt, and valuation comparisons. Legal implications address Public Works Act requirements, covenants, and the Heads of Agreement with Bay of Plenty Regional Council.
9. Consultation efforts and significance assessment conclude that while decisions recommended by the report are of high significance, the proposed sale of the Marine Precinct is of medium significance.
10. The next steps involve completing sales and purchase agreements.
11. Overall, the divestment is positioned to align with Council's strategic objectives for economic development while addressing financial and legal considerations.

### BACKGROUND

12. On 27 November 2023, Council resolved as follows:
  - (a) That the divestment of the Marine Precinct be classified as a Strategic Disposal under the Property Acquisitions and Disposal Policy with site-specific strategic objectives.
  - (b) To delegate the Chief Executive to develop, negotiate and execute on Council's behalf a Memorandum of Agreement between Council and Sam Rofe, with the intent of guiding the negotiation of terms and conditions for a potential divestment of the Marine Precinct.
13. It was noted that the terms and conditions of the proposed divestment of the Marine Precinct are to be presented to Council for approval prior to entering into a sale and purchase agreement.
14. On 27 March 2024, Council and the proposed purchaser signed a non-binding term sheet which sets out the proposed commercial terms. A copy of the Term Sheet is attached, and the commercial terms of the proposed divestment are summarised in this report.

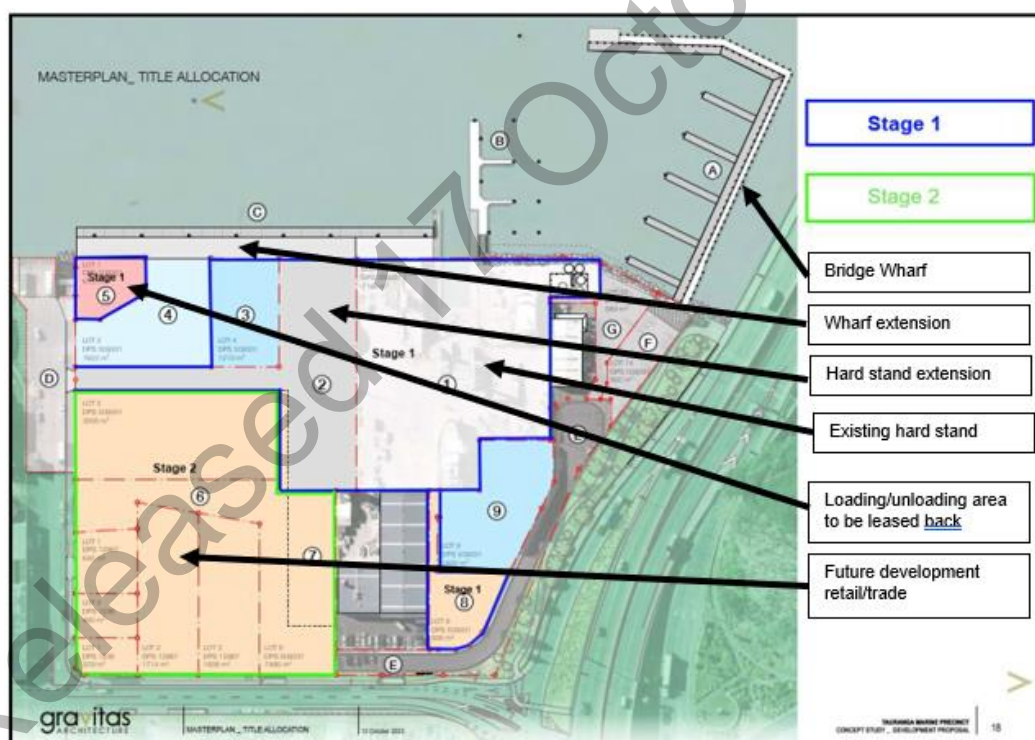
### TERMS

15. The attached Term Sheet provides as follows:
  - **Property** – 25236m<sup>2</sup> being the lots described on the Schedule attached to the Term Sheet.
  - **Business** – The Vessel Works business will include all the assets owned by Council to operate the business including the travel lift, security systems, software, concrete barge, intellectual property, etc.
  - **Strategic Objectives** –
    - Develop the Marine Precinct with the intention of establishing a purpose-built marine service facility (and related infrastructure) to provide a base for the region's marine sector and re-establish and promote the growth of this economic sector in Tauranga.
    - Ensure that the purpose-built marine service facility is accessible to all marine operators as this is critical to the re-establishment of the marine sector in Tauranga which will in turn create significant economic benefit for the city.
  - **Purchase Price** - \$13M plus GST being \$12.75M for the land and \$250K for the business.
  - **Payment Structure** –
    - **Deposit:** 10% of purchase price on due diligence satisfaction.

- **Initial Settlement:** \$3.305M for the business and certain identified land parcels (at full agreed value) six months after the date the agreement becomes unconditional.
- **Final Settlement:** \$8.395M within 5 years of initial settlement together with interest accruing on such sum at the rate payable by Council to the Local Government Funding Agency (LGFA) five-year rate (currently 5.25%) plus 2%. The interest component will be paid in one sum on final settlement (interest shall capitalise annually).
- **Condition** – Due diligence to 30 April 2024.
- **Access** - Purchaser will be allowed site access for due diligence purposes.
- **Leaseback** – The corner site next to the slipway is to be leased back to Council for up to 3 years so Council can continue to provide loading and unloading capacity for the working (“black”) boat fleet.
- **Programme / Development** - The parties agree to the following general programme and staging:
  - Stage 1: 0 – 24 months from initial settlement -
    - Completion of hard stand extension.
    - Lease to Council of loading/unloading area.
    - Investment in Page Engineering leased property.
    - Operation of business from hardstand.
    - Construction of alongside – floating wharf extension.
    - Construction of Bridge Wharf – floating wharf extension to existing wharf and floating wharf finger extensions.
  - Stage 2: 0 – 84 months from Initial Settlement –
    - Development of balance land for peripheral marine activities, uses and businesses.
- **Stage 2** - Prior to final settlement, the purchaser will work up and develop a development concept plan for Stage 2.
  - This will include a programme and must align with Council's defined Strategic Objectives.
  - The purchaser will consult with and keep Council informed with respect to the progress in developing the Stage 2 development plan.
  - Final settlement will be conditional on the Stage 2 development plan being provided to Council at least 60 working days before the final settlement date (such condition to be for Council's benefit only).
  - The parties will then be bound by the agreed plan.
- **Hard Stand** – No buildings can be erected on the hard stand area.
- **Wharf Structures** - The parties acknowledge that an important component of the transaction will be the construction of the proposed alongside floating wharf and Bridge Wharf extensions. The project plan for this is generally as follows:
  - As soon as practicable the purchaser will work up and develop a development concept plan for the wharf structures.
  - The purchaser will submit the wharf development plan to Council for approval.
  - The parties are to work together to finalise and agree the proposed scope, the wharf development plan and the associated costings on or before 31 August 2024.



- The purchaser shall construct the wharf structures (including the application for all necessary consents).
- Council will own the wharf structures and lease them to the purchaser.
- The parties shall share in the gross income received from the wharf structures in (yet to be) agreed proportions.
- The purchaser will maintain the wharf structures and Council will be responsible for any structural or replacement requirements.
- Council's contribution is limited to \$11M excl GST for the construction of wharf structures.
- **Other Wharves** – It is of fundamental importance to Council that the black boat fleet operators continue to be supported. In this respect the parties are to work together to include an upgrade of Fisherman's and Railway Wharves in the wharf development plan with a view to the purchaser also arranging construction of those facilities, at Council's sole cost.
- **Dredging** – Council shall arrange for the necessary parts of the consent area to be dredged to a depth of 4 metres.
- **Formal Documenting** - The parties shall use best endeavours to sign interdependent agreements for sale and purchase of the property and business as soon as practicable. The parties have agreed to aim for the third week of April.



**REASONS FOR DISPOSAL**

16. Council's purchase of the Marine Precinct, and its subsequent strategic development of the site (supported by Bay of Plenty Regional Council (**BoPRC**)), has delivered highly important marine facilities and services, benefiting Tauranga's marine industry and the wider economy.

- 17. However further development and management of the site for marine uses best suits with the private sector. The marine sector is highly specialised and the needed skills and expertise fall outside of Council's core business.
- 18. Given this, this report recommends that Council complete sale negotiations with a purchaser who has demonstrated experience within their team and a commitment to further develop the site for marine purposes, in-line with the existing covenants, and Council's and BoPRC's vision.

**STRATEGIC / STATUTORY CONTEXT**

- 19. Supporting business and education' is one of Council's Community Outcomes, and in the Our Direction document, which sets out Council's strategic direction for the city, it highlights investment into the marine sector as a focus for Council and its economic development partner, Priority One.
- 20. The sale of the Marine Precinct for continued use and development as a marine services hub directly aligns with this focus.

**OPTIONS ANALYSIS**

- 21. We believe there are limited potential purchasers for the Marine Precinct, due to the specialised nature of the services it delivers, and the strategic objectives Council wishes to see achieved by the site in the future.
- 22. Council staff are only aware of one specialist refit yard operator in New Zealand, Orams, and Council staff engaged with the Chief Executive of Orams on several occasions during 2023.



**Option One:** Complete a direct, non-competitive negotiation and divestment process with Sam Rofe *RECOMMENDED*

- 23. Key risk: that Council is challenged for directly negotiating with Sam Rofe, without providing an opportunity for other potentially interested parties.

Advantages	Disadvantages
Has the potential to provide a sale outcome which delivers on Council's strategic priorities for the Marine Precinct. Avoids the need to undertake a market process, which would incur additional costs and time. May deliver funding more rapidly for Te Manawataki o Te Papa.	Requires Council to enter into a non-competitive divestment, which may potentially expose Council to criticism. Without taking the Marine Precinct to market, it is hard to be sure what the market might value it at.

**Option Two:** Commence an open market sale process. *NOT RECOMMENDED*

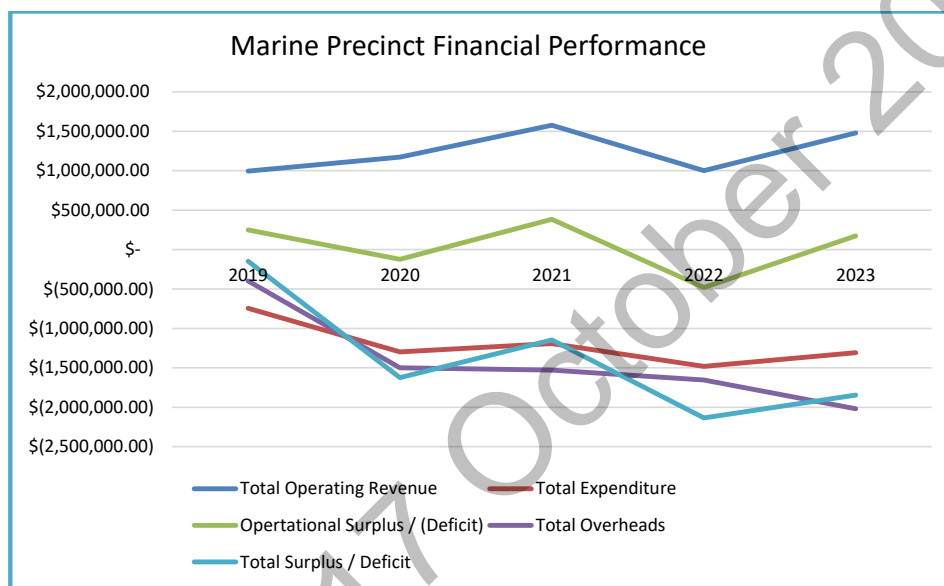
- 24. Key risk: that Council does not achieve any proposals as favourable as the one currently negotiated with Sam Rofe, resulting in potentially worse outcomes for the community.

Advantages	Disadvantages
Entering into a competitive process would protect Council from criticism. Council has the opportunity to test the market and see if a more favourable outcome could be achieved.	Council risks Sam Rofe withdrawing his current proposal. Council may not receive any comparable proposals. Council incurs further costs related to holding

Still allows for Council to achieve its desired strategic outcomes for the site.	and marketing the property. Increased uncertainty. Likely to take longer.
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**FINANCIAL CONSIDERATIONS**

25. As set out on the below graph, the Marine Precinct operates at a reasonably substantial loss. It has achieved a small gross surplus, but after considering depreciation, Council overheads and interest costs, the total trading deficit is currently around \$2M pa.



Notes to graph

1. 2023 figures exclude vessel demolition costs and expense recovery in 2023 to remove anomaly.
  2. Overheads includes depreciation, internal debt servicing and Council corporate overheads.
26. There is currently \$23.5M of debt allocated to the Marine Precinct activity. It was resolved in July 2023 that debt allocated to Asset Realisation Reserve Assets would not be repaid unless Council resolved otherwise. Accordingly, it is presumed the debt will remain against the activity with the full proceeds of sale available for Council capital projects.
27. Council obtained two valuations. The first was from Property Solutions on 3 July 2023 and the second was from PRP on 5 December 2023. The valuation comparison is attached to the Term Sheet. This does not include the 7195m2 hard stand area which was valued at \$6.12M and \$7.81M by Property Solutions and PRP respectively (see discussion below). Total valuations for the divestment areas were assessed at \$19.24M and \$18.63M respectively.
28. The purchaser has agreed to align his offer with the valuation mid-point data, except with respect to the leased property at 6 Cross Road as this reflects a more recent analysis of commercial cap rates.
29. The hardstand and Vessel Works equipment have been effectively valued at:
- (a) Hardstand – \$110K.
  - (b) Vessel Works equipment - \$250K.
30. Note also that Council has the following book values (as at 30 June 2023) for the land, improvements and equipment:

- (a) Land \$19.5M.
- (b) Hardstand - \$7M.
- (c) Stormwater system - \$1.6M.
- (d) Travel lift \$656K.
- (e) Other equipment (CCTV, fencing, water blaster, sweeper etc) - \$482K.

There will be a significant write-down of these assets.

31. The purchaser's reasoning for the nominal values includes:
- (a) Commerciality of the hardstand area relies entirely on what goes on around it.
  - (b) The hardstand is an enabler to attract the marine industry.
  - (c) Vessel Works has operated at a loss so, on paper, the operation assets present a liability.
  - (d) The hardstand area will not be used for anything else.
  - (e) Sam will be extending the hardstand area (area 2) at a significant cost.
32. The purchaser is also not willing to pay the "harbour front premium" of \$3.3M that was included in the Property Solutions assessment (but not the PRP) as his view is that this is appropriate for residential but not an industrial precinct.
33. There are site limitations, and the purchaser has agreed to encumber the hardstand area so that it remains utilised for hardstand purpose only (unless economic conditions deteriorate/the business proves to be unsustainable etc). That is, the hardstand cannot be built on or used for anything else. This does materially devalue the land although arguably adds premium to the sites around it.
34. Effectively this leaves Council with:
- |                                       |                  |
|---------------------------------------|------------------|
| Valuation midpoint                    | \$22.144M        |
| Less 25 Hikuwai midpoint              | (\$6.963M)       |
| Less risk @ midpoint                  | (\$2.541M)       |
| Plus 25 Hikuwai negotiated value      | \$0.110M         |
| Plus Vessel Works Plant and Equipment | \$0.250M         |
| <b>Total</b>                          | <b>\$13.000M</b> |
35. Council's contribution to the Bridge wharf upgrade and alongside wharf extension is capped at \$11M. In the draft 2024-2034 Long Term Plan (LTP) we currently have:
- (a) For wharf extension \$11.449M.
  - (b) For Bridge Wharf upgrade \$10.888M (being the sum of \$4.02M for capital expenditure and \$6.886M in Marine Facilities)
  - (c) For Fishermans Wharf \$6.770M.

Accordingly, we have sufficient headroom in the draft LTP for the Marine Precinct wharves but will need to work through the costs of Fishermans Wharf as the development plan progresses.

36. There are, of course, the broader economic benefits to consider also. These are potentially substantial for Tauranga and were set out in our report of 27 November 2023.

#### LEGAL IMPLICATIONS / RISKS

37. As part of any property sale, Council assesses any divestment implications under the Public Works Act 1981, as well as any other property specific legislative considerations. These are addressed as follows.

38. Public Works Act 1981. Council must consider whether it has any 'offer-back' requirements under section 40 of the Public Works Act (PWA). An 'offer-back' requirement is when Council is obliged to offer back the property to its previous owner for purchase at current market value prior to any other disposal process. Grayson Neale has provided Council with a s40 PWA report. The report indicates there are some parts of the property which would be subject to offer back requirements, but no surviving prior owners or successors can be located. Therefore, the report concludes that it would be impracticable to make the offer back and as a result meets the exception in section 40(2)(a) PWA.
39. Covenants. Council purchased the Marine Precinct from the Port of Tauranga in 2004 (with actual transference completed in 2006) and as part of this purchase, covenants were registered on the Certificate of Title. The covenants, in favour of Council and Port of Tauranga, provide that activities on the site must be "Marine Related Activities," defined as operations or activities that provide goods and/or services to the marine industry. Council is responsible for enforcing the covenants, with the option to seek Port approval if needed. As Council is proposing to sell the Marine Precinct with requirements in place to ensure its ongoing use for marine purposes, these covenants will not impact the sale.
40. Heads of Agreement. In 2014 Council and the BoPRC entered into a Heads of Agreement which outlines various conditions, including restrictions on transferring the Marine Precinct land without BoPRC's approval, a right of first refusal in favour of BoPRC and a repayment clause for the grant provided by BoPRC.
41. As set out in clause 2 of the Heads of Agreement, the date that the "Marine Industry FTE Target" has been met for 365 consecutive days (or such other day as the parties agree in writing) will be the "End Date" of the Heads of Agreement. The "Marine Industry FTE Target" means 130 full time equivalent marine sector employees (including contractors, casual workers, self-employed individuals, etc.). Between Vessel Works, Hutcheson Boat Builders, Specialised Metal Fabricators, Super Yacht Coatings, Pacific 7 Workboats, Matamata Motor Trimmers, Moana Pacific Fisheries and Robert Page Council staff believe that this requirement has been met, but do not have hard data on this. In the absence of such data, Council has sought BoPRC's agreement that it will not exercise its right of first refusal and that the End Date has been passed.
42. Notwithstanding the discontinuance of other covenants in the Heads of Agreement, Council remains committed to the recorded strategic vision for the Marine Precinct. That is:
- (a) The development of a purpose-built marine servicing facility as a base for the Region's marine sector to re-establish and grow.
  - (b) The provision of a haul out facility, that was accessible to all marine operators at a reasonable cost.
  - (c) Through the strategic vision, ensure that the local marine industry, fishing fleet, and other businesses remain sustainable.
- These matters are to be considered with respect to development of the wharf development plan.
43. The primary legal considerations are Council's adherence to policy and legislation, and these issues are discussed elsewhere within this report.

#### CONSULTATION / ENGAGEMENT

44. As part of the 2021-2031 Long-Term Plan Amendment, Council referenced the potential sale of non-core Council assets as a possible funding source for Te Manawataki o Te Papa. The Marine Precinct was specifically mentioned as one of the assets that may be considered for sale. It was noted that it was likely further consultation would be undertaken with key stakeholders prior to any disposal.
45. When Council is assessing whether to consult on an issue or matter, it applies the Council's Significance and Engagement Policy and considers legislative consultation requirements.

### Council's Significance and Engagement Policy

46. The policy provides guidance as to when Council should engage with the community. It includes a list of strategic assets. The decision to sell a strategic asset must be made via a Long-Term Plan and consulted on as part of that process (the Local Government Act 2002, section 97). The Marine Precinct is not a strategic asset, and therefore a decision to sell the Marine Precinct can be made without being provided for in the Long-Term Plan.
47. The policy also provides guidance to assess the significance of an issue, considering factors such as the level of community interest and financial impact. The proposed sale of the Marine Precinct is assessed as medium significance (see the following section) and Council's degree of consultation, if any, is discretionary. Any consultation undertaken may be targeted.

### Local Government Act consultation requirements

48. The Local Government Act 2002 (LGA) sets out general consultation requirements for councils under section 78(1)  
*A local authority must, in the course of its decision-making process in relation to a matter, give consideration to the views and preferences of persons likely to be affected by, or to have an interest in, the matter.*
49. This section of the LGA along does not specifically require councils to consult, and it is not feasible or desirable to consult on all Council decisions. Nor is Council bound to make decisions based solely on the results of consultation, other factors also play a role (see section 79 of the LGA).
50. In this case, Council has completed targeted engagement with key stakeholders regarding future options for the Marine Precinct, completed by TwentyTwo consultants.

### The work completed by TwentyTwo consultants

51. In 2022, Council engaged TwentyTwo consultants to assess future development and leveraging options for the Marine Precinct. The resulting report compares different development and operating models for the precinct.
52. TwentyTwo obtained and detailed stakeholder feedback on future options for the Marine Precinct that included leasing or sale.
53. The TwentyTwo report envisages that Council might sell the land to a third party, relying on the land covenants and the purchaser's reputation in the relevant market. BoPRC consent would be necessary for any divestment (subject to release from the Heads of Agreement), with the wharves likely excluded from the divestment process.

### Conclusion

54. Tompkins Wake has advised Council that it could, because of the engagement completed by TwentyTwo consultants, reasonably exercise its discretion under section 79(1) LGA to decide that it has complied with section 78 in a manner that was "largely in proportion to the significance" of the divestment decision.
55. In short, Council can decide that no further consultation is required on the possible divestment of the Marine Precinct. However, if Council is unable to reach a position with the purchaser which accommodates the requirements of the black boat operators, then it is likely that further consultation would be necessary.
56. As mentioned, Council will be ensuring that the broader wharf developments provide continued support to the black boat operators. At this stage, therefore, we do not consider further engagement is necessary.

**SIGNIFICANCE**

57. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
58. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
  - (a) The current and future social, economic, environmental, or cultural well-being of the district or region.
  - (b) Any persons who are likely to be particularly affected by, or interested in, the decision.
  - (c) The capacity of the local authority to perform its role, and the financial and other costs of doing so.
59. The potential development of the Marine Precinct is of medium size and scale, with the ability to deliver a range of economic benefits to the community.
60. The proposed divestment of the Marine Precinct and its ongoing use is of relatively significant public interest.
61. The divestment would deliver moderate, but important, outcomes for the city.
62. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decisions recommended by this report are of medium significance.
63. Taking into consideration the above assessment, that the proposed sale of the Marine Precinct is of medium significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

**NEXT STEPS**

64. Complete Sales and Purchase agreements.

**ATTACHMENTS**

1. **Signed Term Sheet 28 March 2024 - A15756512**

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**13.10 City Wharf Infrastructure Funding****File Number:** A15924986**Author:** Simon Collett, **Manager: Commercial Property****Authoriser:** Paul Davidson, **Chief Financial Officer**

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a) of the <i>Local Government Official Information and Meetings Act 1987</i> .
<b>Sub-clause and Reason:</b>	s7(2)(b)(ii) and s7(2)(h) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information and The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities.

**PURPOSE OF THE REPORT**

1. This report outlines the need to fund infrastructure upgrades to key wharf infrastructure in Tauranga, particularly in light of arrangements related to the Marine Precinct sale.

**RECOMMENDATIONS**

That the Council:

- (a) Receives the report "City Wharf Infrastructure Funding".
- (b) Resolves to:
  - (i) Include additional expenditure of \$7.5M of the capital expenditure to meet the shortfall of the replacement of Bridge Wharf and Fishermans Wharf and the extension of the Marine Precinct Offloading Wharf
  - (ii) Confirms that Council officers make all best endeavours to obtain external funding and/or divest assets not yet included in the Asset Realisation Reserve to fund this additional expenditure; and
  - (iii) Bring forward the expenditure budgeted in the Long Term Plan for Marine Precinct Offloading Wharf, Bridge Wharf, Bridge Wharf Renewals, Fishermans Wharf and Railway Wharf forward to the 2024-2025 and 2025-2026 Financial Years to meet the cost of all required wharf infrastructure; and
  - (iv) Prioritise the 2025 and 2026 financial year capital expenditure programme to remain within overall borrowing limits
  - (v) Notes that if prioritisation and/or additional external funding can not be sort further options including additional borrowing may be required
  - (vi) Increase the expenditure cap in the sale agreement with the purchaser of the Marine Precinct for the replacement of Bridge Wharf and construction of the new Offloading Wharf to \$29.2M.
- (c) The resolution/s, report and attachment/s can be transferred into the open once Council announces the divestment of the Marine Precinct (likely early June 2024).



**EXECUTIVE SUMMARY**

2. This report outlines the need for infrastructure upgrades to key wharves in Tauranga, particularly in light of agreements related to the Marine Precinct sale. The wharves are near end of life and require attention. To address funding shortfalls for necessary upgrades, several recommendations are proposed:
3. Include an additional \$7.5M budget to address shortfalls in Bridge Wharf and Fishermans Wharf replacement, and Marine Precinct Offloading Wharf extension.
4. Seek external funding or an increase in asset divestment to fund this additional expenditure.
5. Bring forward budgeted expenditure from future years to 2024-2026 to meet urgent infrastructure needs and reprioritise other expenditure to allow this to continue. This expenditure will be aligned with the wharf replacement programme.
6. Sale Agreement Amendment: Increase the expenditure cap in the Marine Precinct sale agreement to \$29.2M for Bridge Wharf replacement and Offloading Wharf construction.
7. These recommendations aim to ensure the timely and comprehensive upgrade of critical wharf infrastructure, supporting both commercial and recreational maritime activities in Tauranga. The report also highlights the strategic and economic importance of the Marine Precinct and emphasizes the need for careful financial planning and stakeholder engagement moving forward.

**BACKGROUND**

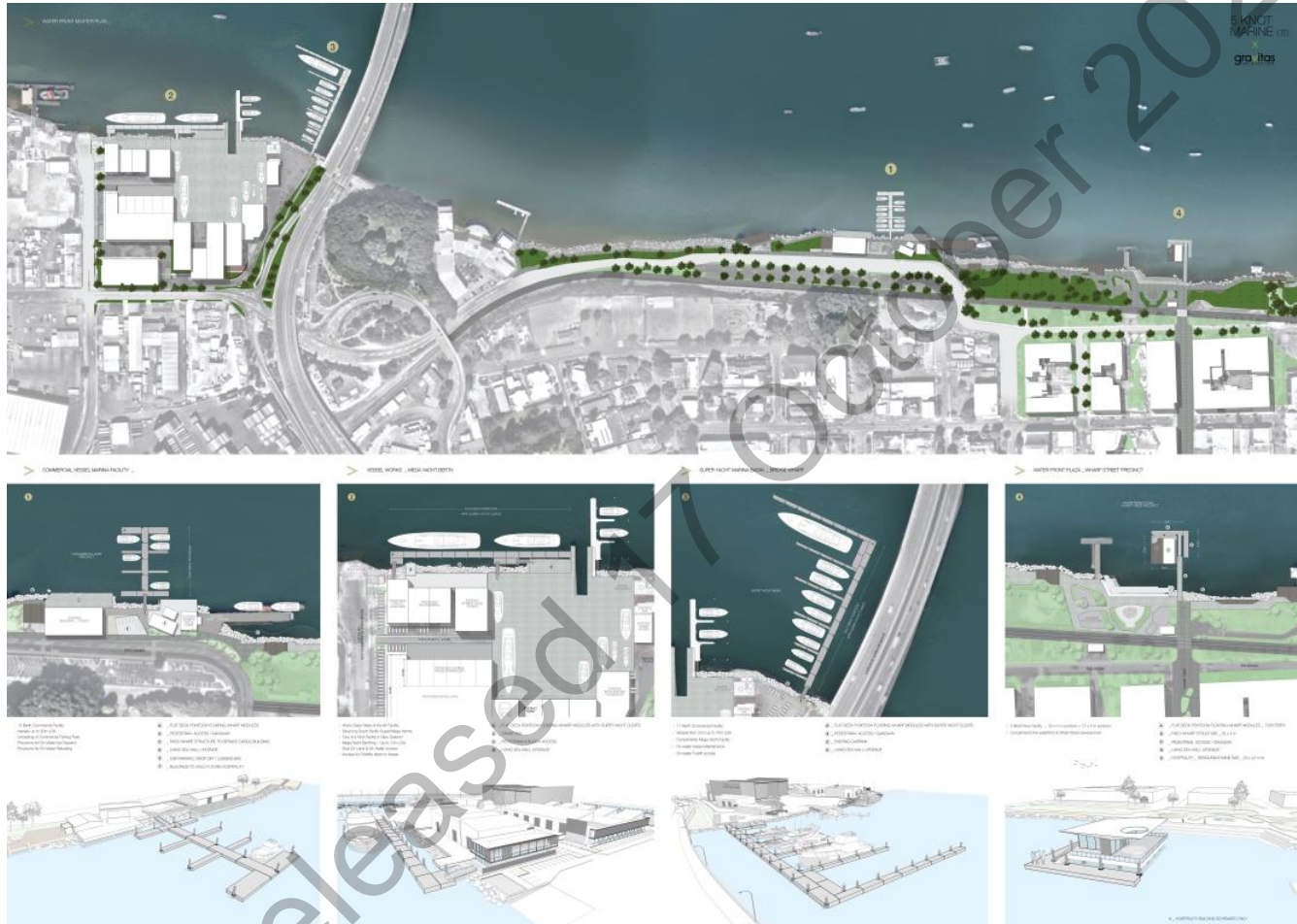
8. On 27 March 2024, Council and the proposed purchaser of the Marine Precinct signed a non-binding term sheet which set out the proposed commercial terms.
9. Following a decision on 8 April 2024 the arrangements set out in the Term Sheet were duly formalised into interdependent agreements for sale and purchase for the Marine Precinct Land and Vessel Works business (together the **Agreement**).
10. One of the requirements of the Agreement is that the parties will deliver certain wharf structures.
11. In this respect, the parties have acknowledged that an important component of the transaction will be the construction of the proposed alongside floating wharf and Bridge Wharf upgrade. The project plan for this is generally as follows:
  - (a) As soon as practicable the purchaser will work up and develop a development concept plan for the wharf structures.
  - (b) The purchaser will submit the wharf development concept plan to Council for approval. The wharf development concept plan has been produced by GC Marine under contract to the purchaser and is set out below as Image 1.
  - (c) The parties are to work together to finalise and agree the proposed scope, the wharf development concept plan and the associated costings on or before 31 August 2024.
  - (d) The purchaser shall construct the wharf structures (including the application for all necessary consents).
  - (e) Council will own the wharf structures and lease them to the purchaser.
  - (f) The parties shall share in the gross income received from the wharf structures in agreed proportions.  
See the financial section for an analysis on the revenue share.
  - (g) The purchaser will maintain the wharf structures and Council will be responsible for any structural or replacement requirements.
  - (h) Council's contribution was to be limited to \$11M excl GST for the construction of the wharf structures but this assumed a basic upgrade, but not replacement, of Bridge Wharf.

12. In February 2024, Tonkin & Taylor provided a condition report on Bridge Wharf. The report identified that:
- (a) The main access wharf, first and last finger have an estimated remaining life of 10 years (see below Image 2).
  - (b) To realise this remaining life, Council:
    - (i) Would need to undertake the specified repair work - early estimates put this cost at around \$1M; and
    - (ii) Is likely to have to meet this cost (plus any escalation) every 3 years.
- To be clear, these components will still need to be replaced in 10 years notwithstanding this work.
13. The parties further acknowledge it is of fundamental importance to Council that the working and fishing boat operators continue to be supported. In this respect the parties agreed to work together to include an upgrade of Fisherman's and Railway Wharves in the wharf development plan, with a view to the purchaser also arranging construction of those facilities at Council's sole cost. A proposed concept for a new wharf is included on the wharf development concept plan.
14. Over the 2024-2034 Long Term Plan (LTP) period Council currently has allocated:
- (a) For the wharf extension - \$11.449M.
  - (b) For the Bridge Wharf maintenance works - \$10.9M.
  - (c) For Fishermans and Railway Wharf refurbishment - \$7.16MM.
  - (d) For the "Central Plaza Wharf" \$8.96M. NB this is out of scope for the purposes of this report.
15. The estimated costs for construction of each element are:
- (a) For the wharf extension - \$11.2-12.4M (worst case therefore \$951K shortfall).
  - (b) For the Bridge Wharf upgrade - \$15.5M-16.8M (worst case therefore \$5.9M shortfall).
  - (c) For the new Taumata Kahawai Wharf to replace Fishermans Wharf - \$6.8-7.8M (worst case therefore \$640K shortfall).
16. Accordingly, there is potentially a funding delta of up to \$7.5M.

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Image 1 – Wharf Development Concept Plan



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Image 2 – Bridge Wharf Lifespan



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**STRATEGIC / STATUTORY CONTEXT**

17. The Marine Precinct caters to a diverse group of users, including fishermen, work boats and recreational boat owners (small to medium superyachts), while also providing a base for boat building and refit businesses in Tauranga.

**Demand for fishing and work boat facilities**

18. Although the closure of Sanfords fish processing plant in Tauranga was a dent in the local fishing industry, Tauranga remains a critical access point for the East Coast fishery. The Port of Tauranga is a critical link to international markets for bait fish and the close proximity to Auckland's processing plants ensure the fishing community in Tauranga remains vibrant.
19. The fishing fleet is a mixture of larger vessels attached to significant quota holders and smaller vessels operated by local families. We anticipate the make-up of the fleet to remain similar in size and number in the medium term.
20. Port of Tauranga and general harbour operations require a range of workboats undertaking varied tasks such as diving, surveying, research etc. The planned Port expansion will likely increase demand for a workboat fleet.
21. Ferry access to both Motiti and Matakana Islands is critical to main both the community and economies of these isolated islands. There will continue to be demand for vessels meeting this need.

**Demand for super yacht facilities**

22. The super yacht industry is both highly specialised and growing. Growth statistics were presented by David Good, CEO of Superyacht Australia during the 2023 Australian Superyacht and Marine Export Conference. In 2022 39 foreign-flagged super yachts were recorded as visiting Australia with an average of 47 metres and an average length of stay of 102 days. Of these yachts, 72 per cent carried out major works in the region.
23. These numbers are less than in 2020, however predictions are that numbers will continue to grow in the Asia Pacific region post-Covid, particularly in the lead up to the Olympics in Brisbane in 2032.
24. The Marine Precinct would effectively operate in the same market and compete with facilities in the South Pacific.
25. Pleasure boats are increasing in length, width and weight.

**Marine Facilities in Tauranga**

26. Most of the Council owned wharves servicing the fishing and working fleet in Tauranga are rundown and require significant ongoing maintenance to operate safely. We believe that full replacement is the only long-term viable option.
27. The Bridge Marina and Sulphur Point Marinas are near, or at, capacity and see demand for the larger berths growing.
28. Despite being an attractive destination for Superyachts, they cannot visit Tauranga due to a lack of suitable facilities and berths.

**Investment Required in Marine Infrastructure**

29. All ownership and operational structures require similar investment in Marine Infrastructure. The key investments are:

- (a) **New Taumata Kahawai Wharf** – The proposal to develop the Marine Precinct into a superyacht refit facility will likely result in Bridge Wharf being dominated by luxury or larger boats. This will have a detrimental impact on the fishing and working boat fleets as they currently berth at Bridge Wharf.

This could be overcome, somewhat, by Council investing in a new wharf off Taumata Kahawai between the Cargo Shed and Bobbies Fresh Fish Market.

Catering to the small and medium local and visiting fishing fleet, a new wharf adjacent to Taumata Kahawai will create a hub close to the city centre for the local fishing fleet to undertake operations and connect with the community. The proposed new design includes:

- (i) Berthage for 12 vessels of up to 20m in length.
- (ii) Provision for an ice plant to deliver ice to vessels, ensuring the catch is kept fresh.
- (iii) Provision for fuel dock.
- (iv) Unloading hard stand area to unload catch for rapid delivery to processing.

The proximity of this facility to landmark food and beverage suppliers makes for an ideal location for the Tauranga Community to reconnect with historic fishing roots.

- (b) **Bridge Wharf Replacement** – The current timber wharf is nearing end-of-life and requires significant ongoing maintenance. A new Bridge Wharf will meet both the demand for larger recreational vessels visiting Tauranga for pleasure or refit at Vessel Works, and larger vessels (including roll-on/roll-off ferries) servicing the local community. Careful design will ensure the wharf meets both current and future demands as the marine industry changes.
- (c) **Vessel Works Hardstand Wharf Extension** – Providing direct along-side access to vessels undergoing refit at the Vessel Works refit facility. This concrete wharf and floating pontoon will extend the existing popular 30m wharf to 150m long, greatly expanding the market of superyachts that can be serviced at the Marine Precinct.

#### Potential economic upside

- 30. The potential economic upside of the proposed development (including broader benefits to the local economy and significant job creation for a skilled workforce) are clearly substantial.
- 31. The city would benefit from proper investment in its wharf structures to not only support the proposal, but also the existing working boat industries.

#### FINANCIAL CONSIDERATIONS

- 32. Table 1 below sets out the various wharf structures, together with what is allocated to these in the Long Term Plan and the projected replacement costs. At the upper end of the potential costings, there is a funding shortfall of \$7.5M.
- 33. The first priority for Council officers will be to seek external funding or equity injection and/or divest assets not yet included in the Asset Realisation Reserve to meet this shortfall (at a minimum). Discussions have been undertaken with the Hon Shane Jones (Minister for Oceans and Fisheries and Minister for Regional Development). Kanoa will manage a regional development fund in due course, but this has not yet been established and the potential criteria is vague. The Minister recommended that this be added to the City Deals proposal. We have also submitted to the Regional Council's Long Term Plan. Further discussions will be arranged with TECT also.
- 34. Should such funding not be achieved then Council will either need to:
  - (a) Reprioritise capital projects to cover the shortfall; or
  - (b) Seek additional asset divestment that may contribute to the funding gap
  - (c) Raise further debt.
- 35. We are currently working on the revenue modelling for the wharf structures and will have more detail on this shortly.

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LTP Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Totals	Estimate Low	Estimate High	Shortfall Low	Shortfall High
Central plaza wharf	\$941K	\$924K	\$1.06M	\$2.68M	\$4.30M							\$8.96M	TBA	TBA		
Marine Precinct offloading wharf		\$5.7M	\$5.76M									\$11.45M	(\$11.2M)	(\$12.4M)	\$249K	(\$951K)
Bridge Wharf		\$1.04M		\$1.1M		\$1.15M		\$1.19M	\$ 1.19M		\$1.23M	\$6.88M				
Bridge Wharf Renewals				\$946K			\$3.07M					\$4.02M	(\$15.5M)	(\$16.8M)	(\$4.6M)	(\$5.9M)
Fishermans Wharf/ New Taumata Kahawai Wharf		\$3.57M	\$3.2M									\$6.77M				
Railway Wharf							\$390K					\$390K	(\$6.8M)	(\$7.8M)	\$361K	(\$639K)
	\$941K	\$11.20M	\$10.01M	\$4.72M	\$4.30M	\$1.15M	\$3.46M	\$1.19M	\$ 1.19M	\$-	\$1.23M	\$38.47M	(\$ 33.50M)	(\$37M)	(\$3.99M)	(\$7.49M)

**OPTIONS ANALYSIS**

- 36. Revenue Generation: A functioning port can generate revenue for the city through various means such as port fees, taxes on imported goods, and leasing of port facilities.
- 37. Disaster Preparedness: Investing in infrastructure upgrades and maintenance can make the port more resilient to natural disasters and emergencies, ensuring continuity of operations during crises.
- 38. Deteriorating Infrastructure: Without proper funding, wharf infrastructure can deteriorate over time, leading to safety hazards, operational inefficiencies, and increased maintenance costs in the long run.
- 39. Reduced Competitiveness: Inadequate infrastructure may limit the port's capacity and capabilities, making it less attractive to shipping lines and businesses compared to other ports with better facilities and services.
- 40. Economic Decline: A poorly maintained port can hinder trade activities, discourage investment, and lead to a decline in economic growth and prosperity for the city and its residents.
- 41. Environmental Degradation: Inadequate funding for environmental management and pollution control measures can result in negative environmental impacts such as water pollution, habitat destruction, and ecosystem degradation.
- 42. Safety Risks: Insufficient funding for safety measures and equipment upgrades can increase the risk of accidents, spills, and other incidents, posing threats to human lives, property, and the environment.

**Option One:** Commit to the \$37M expenditure for the Offloading Wharf, Bridge Wharf replacement and Fishermans/Railway Wharves replacement *RECOMMENDED*

Advantages	Disadvantages
Working and fishing boat fleets supported long term	Significant borrowings and expenditure brought forward will require reprioritisation of other capital projects.
Activation of Taumata Kahawai optimised	
Provides certainty with respect to sale agreement	
Bridge Wharf and Fishermans Wharf future proofed	
Economic potential of Marine Precinct and fishing/working boat businesses optimised	
Potential revenue generation from wharf structures maximised	
Wharf structures will be more resilient	
Reduced risk of accidents, spills, and other incidents, posing threats to human lives, property, and the environment.	

**Option Two:** Commit to the \$29.2M expenditure for the Offloading Wharf and Bridge Wharf replacement only. *NOT RECOMMENDED*

Advantages	Disadvantages
Provides certainty with respect to sale agreement	Significant borrowings and expenditure brought forward will require reprioritisation of other



	capital projects.
Bridge Wharf future proofed	Working and fishing boat fleets not supported – this will cause significant disruption for those industries
	There is still a funding shortfall of approx. \$6M with respect to the replacement of Bridge Wharf

**Option Three:** Commit only such funds as are allocated in the Long Term Plan and seek to value engineer all wharf projects *NOT RECOMMENDED*

Advantages	Disadvantages
Significant borrowings and expenditure delayed - avoids reprioritisation of other capital projects	Sale agreement likely not to proceed due to inferior Bridge Wharf
Working and fishing boat fleets can carry on with current arrangements until Bridge Wharf requires replacement in 10 years	Working and fishing boat fleets not supported long term
	There is still a funding shortfall of approx. \$6M with respect to the replacement of Bridge Wharf
	Significant expenditure still required to keep Bridge Wharf operational until it needs replacement in 10 years
	Wharf infrastructure likely to deteriorate relatively rapidly, leading to safety hazards, operational inefficiencies, and increased maintenance costs in the long run.
	Insufficient funding for safety measures and equipment upgrades can increase the risk of accidents, spills, and other incidents, posing threats to human lives, property, and the environment.

**LEGAL IMPLICATIONS / RISKS**

- 43. Risks remain around the impacts of change of wharf usage in particular to the fishing and working boat fleet.

**CONSULTATION / ENGAGEMENT SIGNIFICANCE**

- 44. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council’s Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
- 45. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
  - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
  - (b) any persons who are likely to be particularly affected by, or interested in, the decision.

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- (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
46. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of medium significance.

#### ENGAGEMENT

47. Taking into consideration the above assessment, that the decision is of medium significance, officers are of the opinion that the following consultation/engagement is suggested/required:
- (a) Liaise with fishing and working boat operators with respect to the sale of the Marine Precinct and proposed supporting wharf infrastructure.
  - (b) Engage with Otamataha Trust with respect to the proposed new replacement for Fishermans Wharf to extend out from Taumata Kahawai.

#### NEXT STEPS

48. Council officers to:
- (a) Work through the required stakeholder engagement;
  - (b) Work with the purchaser towards formalising the developed design, consenting and construction of Bridge Wharf and Fishermans Wharf and the extension of the Marine Precinct Offloading Wharf.
  - (c) Make all best endeavours to obtain external funding and/or divest assets not yet included in the Asset Realisation Reserve to meet at least the funding shortfall.

#### ATTACHMENTS

Nil



Leon Pieterse  
Director  
Audit New Zealand  
88 Shortland Street,  
CBD, Auckland 1010

By email: [leon.pieterse@auditnz.parliament.nz](mailto:leon.pieterse@auditnz.parliament.nz)

26 September 2024

**Subject: Tauranga City Council - Sale of Business and Real Estate**

Dear Leon

Tauranga City Council (TCC) has requested PricewaterhouseCoopers to provide accounting advice on the sale of marina assets and business under PBE Standards.

Our advice will be based on discussions with management and other information that they provide to us. The key terms for the sale and purchase of business and real estate are outlined in the Appendix to this letter.

We understand that there are currently no disagreements in relation to this matter between TCC and you, as auditor. In accordance with the provisions of the Institute of Chartered Accountants of New Zealand's Advisory Engagement Standard No.1, *Opinions on Accounting and Reporting Matters*, paragraph 22(c) we would appreciate receiving confirmation from you to this effect together with any further circumstances of which you consider we should be made aware.

Yours sincerely,

A handwritten signature in black ink that reads 'S. Moonlight'.

Sara Moonlight  
Executive Director  
For PricewaterhouseCoopers  
Wellington

Cc: Marin Gabric, Team Leader: Financial Accounting and Compliance, Tauranga City Council,  
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## Appendix A - Summary of key terms in documents

### 1. Agreement for sale and purchase of a business executed 22 May 2024

Key terms	Details	Ref
Parties	<ul style="list-style-type: none"> <li>Vendor: Tauranga City Council</li> <li>Purchaser: Pacific Safe Harbours Limited</li> </ul>	Page 1
Business	<ul style="list-style-type: none"> <li>Marine vessels refit, haul out, maintenance and repair facilities.</li> </ul>	Page 1
Purchase Price	<ul style="list-style-type: none"> <li>Total purchase price: \$250,000 (plus GST if any) settled within 6 months from the satisfaction of the condition at clause 22.1 of the Interdependent Agreement</li> <li>Deposit: \$25,000 (plus GST if any) payable on or prior to 27 June 2024</li> </ul>	Page 1
Possession and settlement	<ul style="list-style-type: none"> <li>Possession shall be given and taken on the settlement date.</li> <li>The purchaser shall at its cost prepare a deed of assignment of the lease (if one is required to assign the lease) within a reasonable time prior to the settlement date.</li> <li>On the settlement date: <ul style="list-style-type: none"> <li>Balance of purchase price and all other monies as relevant shall be paid by the purchaser;</li> <li>Assignment of lease duly executed;</li> <li>Instruments of title to assets delivered to the purchaser;</li> <li>Vendor to deliver all assets, business records, access codes and keys relating to the premises to the purchaser.</li> </ul> </li> <li>Late minute settlement: the purchaser shall pay interest on the portion of purchase price paid in late minute settlement.</li> </ul>	Clause 3
Conditions and terms of securities	<ul style="list-style-type: none"> <li>On or before the Settlement date, the lease should be assigned to the purchaser.</li> </ul>	Clause 8
Vendor's Obligations	<ul style="list-style-type: none"> <li>On Settlement Date, the Vendor will sell the Assets to the Purchaser and will make available to the Purchaser physical possession and control of the Assets and such other documents of title to the Assets as the vendor may hold to the extent that the Vendor has not already done so.</li> </ul>	Clause 22



Key terms	Details	Ref
Assets	<ul style="list-style-type: none"> <li>The Purchaser will have no right or claim against the Vendor should any of the Assets not be provided or made available to the Purchaser on the Settlement Date.</li> <li>Assets are sold on an 'as is where is' basis.</li> </ul>	Clause 23
Lowest Price	<ul style="list-style-type: none"> <li>The Purchase Price does not include capitalised interest.</li> </ul>	Clause 27
Asset list	<ul style="list-style-type: none"> <li>Tangibles assets consist of property, plant and equipment.</li> <li>Intangible assets consist of the Vessel Works website.</li> </ul>	Schedule 1, subclause 1.1(3)

## 2. Agreement for sale and purchase of real estate executed 22 May 2024

Key terms	Details	Ref
Parties	<ul style="list-style-type: none"> <li>Vendor: Tauranga City Council</li> <li>Purchaser: Tumblehome Bay Limited</li> </ul>	Page 1
Property	<ul style="list-style-type: none"> <li>Corner Cross and Mirrielees Roads, Sulphur Point, Tauranga</li> <li>Freehold</li> </ul>	Page 1
Purchase Price	<ul style="list-style-type: none"> <li>\$13,987,000 plus GST (if any)</li> <li>Deposit: \$1,398,700 plus GST (if any) payable to the Vendor's solicitors trust account on or prior to 27 June 2024</li> </ul>	Page 1
Possession and Settlement	<ul style="list-style-type: none"> <li>Unless particulars of a tenancy are included in this agreement, the property is sold with vacant possession and the vendor shall so yield the property on the settlement date.</li> <li>Possession shall be given and taken on the settlement date. Outgoings and incomings in respect of the settlement date are the responsibility of and belong to the vendor.</li> <li>On the settlement date, the vendor shall make available to the purchaser keys to all exterior doors that are locked by key, electronic door openers to all doors that are opened electronically, and the keys and/or security codes to any alarms. The vendor does not have to make available keys, electronic door openers, and security codes where the property is tenanted and these are held by the tenant.</li> <li>The vendor shall prepare, at the vendor's own expense, a settlement statement.</li> </ul>	Clause 3



Key terms	Details	Ref
	<ul style="list-style-type: none"> <li>• On the settlement date: the balance of the purchase price, interest and other moneys, if any, shall be paid by the purchaser in cleared funds.</li> <li>• 'Last-Minute Settlement' interest, for each day unpaid, is one day's interest at the interest rate for late settlement on the portion of the purchase price paid in the last minute settlement.</li> <li>• Purchaser default: late settlement - the vendor is not obliged to give the purchaser possession of the property or to pay the purchaser any amount for remaining in possession, unless this agreement relates to a tenanted property, in which case the vendor must elect either to:                         <ul style="list-style-type: none"> <li>○ (a) account to the purchaser on settlement for incomings in respect of the property which are payable and received during the default period, in which event the purchaser shall be responsible for the outgoings relating to the property during the default period; or</li> <li>○ (b) retain such incomings in lieu of receiving interest.</li> </ul> </li> </ul>	
Deposit, Purchase Price, Conditions, Settlement Date	<ul style="list-style-type: none"> <li>• Total Deposit amounts to \$1,398,700 plus GST (if any) and is allocated as follows:                         <ul style="list-style-type: none"> <li>○ Stage 1 land deposit: \$342,188.35 plus GST (if any)</li> <li>○ Stage 2 land deposit: \$1,056,511.65 plus GST (if any)</li> </ul> </li> <li>• Total Purchase Price amounts to \$13,987,000 plus GST (if any) and is allocated as follows:                         <ul style="list-style-type: none"> <li>○ Stage 1: \$3,421,883.55 plus GST (if any)</li> <li>○ Stage 2: \$10,565,116.45 plus GST (if any)</li> </ul> </li> <li>• Conditions:                         <ul style="list-style-type: none"> <li>○ Wharf Development Funding Condition: satisfied by 21 May 2024, benefits Vendor</li> <li>○ Stage 2 Development Plan Condition: satisfied by 60 working days before the Final Settlement Date, benefits Vendor</li> </ul> </li> <li>• Settlement Date:                         <ul style="list-style-type: none"> <li>○ Stage 1 (Initial Settlement Date): The date that is 6 months from satisfaction of the Wharf Development Funding Condition</li> <li>○ Stage 2 (Final Settlement Date): Within 5 years of the Initial Settlement Date.</li> </ul> </li> </ul>	Reference schedule
Wharf Development Funding Condition	<ul style="list-style-type: none"> <li>• This Agreement is conditional on the Vendor confirming that it has obtained sufficient funding (and approval of such funding) to finance construction of the Wharf Structures in accordance with this Agreement, on terms and conditions satisfactory to the Purchaser in all respects on or before 21 May 2024.</li> </ul>	Clause 22



Key terms	Details	Ref
	<ul style="list-style-type: none"> <li>This cognition is for the Vendor's benefit and may be waived by the Vendor on written notice to the Purchaser.</li> </ul>	
Relationship	<ul style="list-style-type: none"> <li>The parties will work together in good faith to progress the Project.</li> <li>The Purchaser need to consult with and keep the Vendor informed about all aspects of the Project continuously throughout the Project, taking into account the Strategic Objectives in particular.</li> <li>This Agreement is not a partnership arrangement.</li> </ul>	Clause 23
Strategic Objectives and Principles	<ul style="list-style-type: none"> <li>The Purchaser must design, construct and complete the Project in compliance with the following Strategic Objectives:                             <ul style="list-style-type: none"> <li>Development of the Project must be completed with the intention of establishing a purpose-built marine service facility (and associated infrastructure) to provide a base for the Bay of Plenty's marine sector and re-establish and promote growth of this economic sector in Tauranga;</li> <li>Ensure that the purpose-built marine service facility is accessible to all marine operators, the Purchaser acknowledging that this is critical to the re-establishment of the marine sector in Tauranga which will in turn create significant economic benefit for Tuaranga.</li> </ul> </li> </ul>	Clause 24
Payment of Balance of Purchase Price	<ul style="list-style-type: none"> <li>The balance of the Purchase Price will be satisfied as follows:                             <ul style="list-style-type: none"> <li>Stage 1 land: Initial Purchase Price to be settled in Initial Settlement Date: \$3,07,695.20 plus GST (if any)</li> <li>Stage 2 land: settled via an interest-bearing loan agreement with a principal sum of \$9,508,604.80 (Final Purchase Price) payable in one lump sum on or before the Final Settlement Date.</li> <li>Each party will pay its own legal costs.</li> </ul> </li> </ul>	Clause 26
Settlement	<ul style="list-style-type: none"> <li>Initial Settlement Date: following payment of the Initial Purchase Price, stage 1 land will be transferred to the Purchaser</li> <li>Final Settlement Date: following payment of the Final purchase Price and accrued interest, stage 2 land will be transferred to the Purchaser</li> <li>Conditional on Stage 2 Development Plan: settlement of stage 2 land is conditional on the Purchaser complying with clause 30.1. In the event of non-compliance, the Vendor may elect to terminate this agreement in respect of stag 2 land only. If terminated based on this condition, the Purchaser will have no</li> </ul>	Clause 27



Key terms	Details	Ref
	right or claim against the Vendor to any repayment of the Deposit or initial Purchase Price.	
Stage 1 Development Plan	<ul style="list-style-type: none"> <li>The Purchaser must achieve Stage 1 Completion by the Stage 1 Completion Date.</li> </ul>	Clause 29
Stage 2 Development Plan	<ul style="list-style-type: none"> <li>The Purchaser must, at least 60 working days, prior to Final Settlement provide the Vendor with the Stage 2 Development Plan for the Vendor’s consideration and approval.</li> <li>The Vendor must either approve or share its objections with the Purchaser within 10 working days of the date of receiving the Stage 2 Development Plan. To resolve objections, the Purchaser will need to revise and resubmit the Plan.</li> <li>The Purchaser must consult with and keep the Vendor informed with respect to the development of the Stage 2 Development Plan and update the Vendor when the plan is at 50% completion.</li> <li>No material variation to the plan can be made without the written approval of the Vendor.</li> </ul>	Clause 30
Wharf Development Plan	<ul style="list-style-type: none"> <li>Purchaser to construct in accordance with the plan.</li> <li>No material variation to the plan and the Construction Contract can be made without the written approval of the Vendor.</li> <li>Vendor to consider and approve the Construction Contract prior to construction within 20 working days of receiving it from the Purchaser.</li> <li>On Stage 1 Completion Date, ownership of the wharf structures will automatically vest with the Vendor for nil consideration. The Vendor and Purchaser must enter into a management agreement for the Purchaser to use, operate and maintain the structures (Management Agreement)</li> <li>The Management Agreement will include a lease from the Vendor to the Purchaser. It expires on 31 August 2046 with the right to renew should resource consents be in place.</li> <li>Subject to the Management Agreement, for a term of 5 years from commencement of the Management Agreement, the Business will charge a 35% plus GST (if any) management fee on the gross income received annually for management of the operation of the wharf structures. The balance of the gross management income received by the Purchaser (Business) will be split as follows:                         <ul style="list-style-type: none"> <li>Vendor: 60%</li> </ul> </li> </ul>	Clause 31





Key terms	Details	Ref
	<ul style="list-style-type: none"> <li>○ Purchaser: 40%</li> </ul> <p>The new terms and fee will be determined at completion of the 5 year term.</p> <ul style="list-style-type: none"> <li>● Wharf structures upgrade costs: The Vendor will only be liable to contribute a maximum of \$29,200,000 excluding GST (Maximum Sum) towards the costs of construction of the Wharf Structures. The Vendor and Purchaser will work together in good faith to agree how any additional costs will be met, provided that at no time will the Maximum Sum be increased.</li> <li>● Fisherman’s Wharf: The Vendor will contribute a Maximum Sum of \$7,800.000 towards the construction of the wharf. At completion, ownership will vest with the Vendor for nil consideration. The Purchaser and Vendor will enter into a Management Agreement for the Purchaser to lease, maintain, use and operate the wharf. The Business will charge a management fee of 35% plus GST on the gross annual management fee income received with the balance to be paid to the Vendor. These terms will apply for 5 years of commencement of the Management Fee and will be reviewed at the end of the term.</li> </ul>	
Dredging	<ul style="list-style-type: none"> <li>● The Vendor will ensure that there is a channel and wharf depth sufficient to accommodate the activities of the Business. Maintenance is to be done by the Vendor at its own cost.</li> </ul>	Clause 32
Construction	<ul style="list-style-type: none"> <li>● Land responsibility: following the Initial Settlement Date, the Purchaser will be entirely responsible for and will occupy the Stage 1 land entirely at its own risk.</li> <li>● Stage 2 land responsibility: following the Final Settlement Date, the Purchaser will be entirely responsible for and will occupy the Stage 2 land entirely at its own risk.</li> </ul>	Clause 35
Insurance	<ul style="list-style-type: none"> <li>● Before commencing the Works, and for the length of the project up to completion, the Purchaser will procure and maintain insurance via its engaged construction contractor under the Construction Contract, the following:                             <ul style="list-style-type: none"> <li>○ Contract works insurance for the full value of the Works</li> <li>○ Public liability insurance</li> </ul> </li> </ul>	Clause 37
Hard Stand Encumbrance	<ul style="list-style-type: none"> <li>● In consideration of the Vendor transferring Area 1 to the Purchaser for nil consideration, the Purchaser agrees to register an encumbrance over Area 1 to record that Area 1 will only be</li> </ul>	Clause 38













## 7.5 Approval to change the classification for part of Kopurererua Valley (Puketoromiro Pā) from recreation reserve to historic reserve

**File Number:** A16165499

**Author:** Emma Joyce, Open Space and Community Facilities Planner

**Authoriser:** Barbara Dempsey, General Manager: Community Services

### PURPOSE OF THE REPORT

1. To approve the change of classification for that part of the Kopurererua Valley recreation reserve known as Puketoromiro Pā from recreation reserve to historic reserve.

### RECOMMENDATIONS

That the Council:

- (a) Receives the report "Approval to change the classification for part of Kopurererua Valley (Puketoromiro Pā) from recreation reserve to historic reserve".
- (b) Notes that there were no objections to the proposal to the proposed change of classification for that part of Kopurererua Valley recreation reserve known as Puketoromiro Pā.
- (c) Approves, subject to section 24 of Reserves Act 1977, a change of classification for that part of the Kopurererua Valley recreation reserve known as Puketoromiro Pā to historic reserve and shown on the survey plan as Section 1 SO607864.

### EXECUTIVE SUMMARY

2. The Reserves Act 1977 (the Act) requires all reserves to be classified according to their primary purpose and for management decisions to be in accordance with that primary purpose. As the Kopurererua Valley is classified as recreation reserve, it is managed for its primary purpose to provide for sport and recreation. However, this purpose is not appropriate when considering how to best to manage the cultural and historical significance of Puketoromiro Pā located within the recreation reserve.
3. As required under the Act, a one-month public notification of the proposed change of classification commenced on 14 June 2024. No objections were received. Council (as the reserve administering body) is now required to consider the proposal and submissions received before making a decision on the change of classification.
4. This report requests Council approve the change of classification for that part of the reserve known as Puketoromiro Pā from recreation to historic reserve. The historic reserve classification will ensure the primary purpose of the reserve is to protect and preserve in perpetuity the historical and archaeological features of the Pā (s18 of the Act).

### BACKGROUND

5. Council and Ngāi Tamarawaho partnered to develop the 2023 Puketoromiro Pā Heritage Management Plan. An action within that plan is to seek the reclassification of Puketoromiro Pā to historic reserve to better recognise its heritage values. The current recreation reserve classification only requires historic features within the reserve to be "managed and protected to the extent compatible" with the primary purpose of the reserve to provide for sport and recreation.

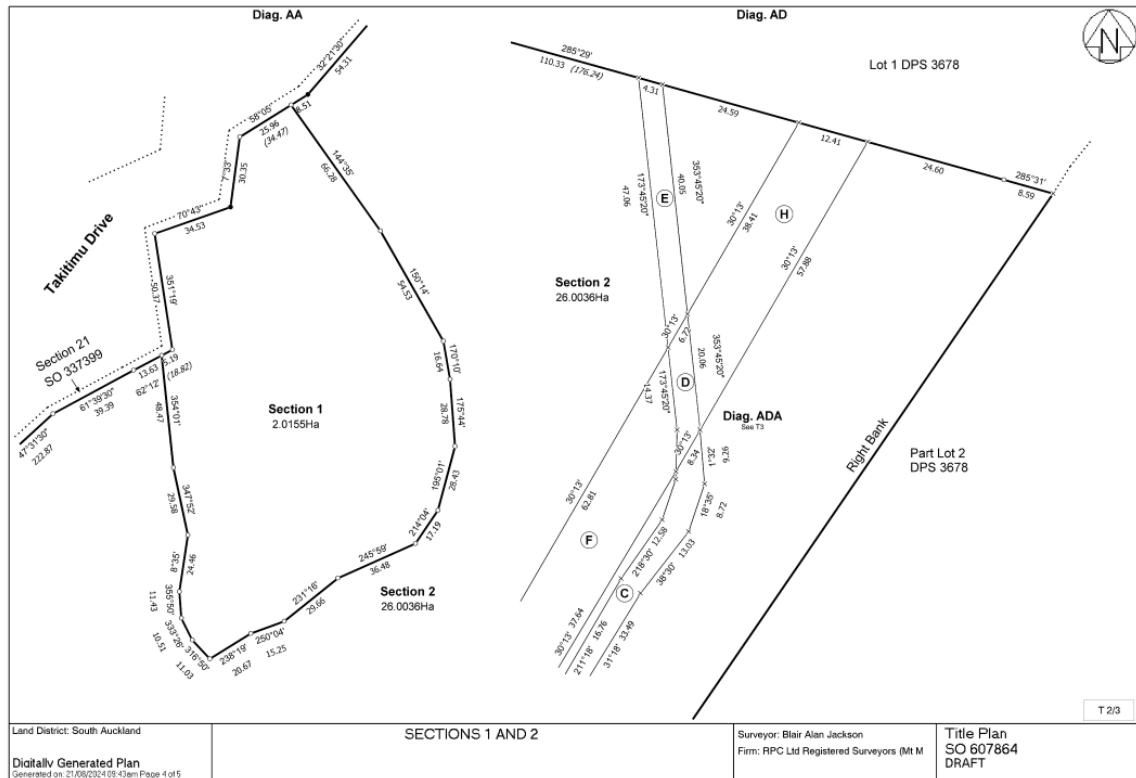


6. The purpose of historic reserves is to protect and preserve in perpetuity historic features located in reserves. A historic reserve classification for the Pā would ensure that all decisions regarding the management of the Pā first consider the impact on its heritage values. A historic reserve classification cannot be changed unless the archaeological or historic features of the reserve are destroyed (s18 of the Act).
7. Figure 1 below shows the general location of the pā (outlined in blue) within the wider reserve. A survey was commissioned through this project to ensure the boundaries of the proposed historic reserve are consistent with the boundaries of the pā (figure 2).

**Figure 1: Location of Puketoromiro Pā within the Kopurererua Valley Reserve with Pā outlined in blue**



Figure 2: 2024 survey plan showing pā boundaries and proposed historic reserve



8. No objections to the change of classification were received following public notification of the proposal. Support for the proposal was received from the Rotary Centennial Trust (who are actively involved in the development of the reserve) and the Tauranga Historical Society. Council (as the administering body for the reserve) is now able to decide on the proposed change of classification.

**STATUTORY CONTEXT**

- 9. Section 24(1) of the Act provides for administering bodies to reclassify reserves subject to provisions in that section. Following a one-month public notification period, Council is required to consider all objections received to the proposal and make a recommendation to the Minister. Once approval is received from the Minister, the reclassification is confirmed by way of a notice in the *Gazette*.
- 10. The Tauranga Reserves Management Plan (TRMP) categorises the Kopurererua Valley as a recreation and ecological linkage. This is not proposed to change. Decisions on appropriate activity in the reserve must have regard to both the Act and the City Plan. The Kopurererua Valley is zoned passive open space in the Tauranga City Plan. The pā and the valley are also considered significant archaeological and significant Māori areas in the plan. Any development in the area would need to consider those relevant provisions.

**STRATEGIC ALIGNMENT**

11. This contributes to the promotion or achievement of the following strategic community outcomes:

	Contributes
We are an inclusive city	<input type="checkbox"/>
We value, protect and enhance the environment	<input checked="" type="checkbox"/>
We are a well-planned city	<input checked="" type="checkbox"/>
We can move around our city easily	<input type="checkbox"/>

We are a city that supports business and education

12. The reclassification of the pā will ensure appropriate management of key sites of cultural and ecological significance.

### OPTIONS ANALYSIS

13. Council could either approve or not approve the change of classification.

Option		Advantages	Disadvantages
1	<b>Approve the change of classification (recommended)</b>	<ul style="list-style-type: none"> <li>Ensures the primary purpose of the reserve is the protection of the historic and archaeological features of the Pā</li> <li>Recognises the historic significance of the pā and its significant location within the Kopurererua Valley</li> <li>Recognises that sport and recreation is inappropriate in this location</li> </ul>	<ul style="list-style-type: none"> <li>Inconsistent reserve classification across the whole valley</li> </ul>
2	Do not approve the change of classification	<ul style="list-style-type: none"> <li>Consistent classification for the entire valley</li> <li>Recognises that management statements in the TRMP require us to protect historic features within reserves regardless of reserve classification</li> </ul>	<ul style="list-style-type: none"> <li>The historic features of the pā are only “managed and protected to the extent compatible” with the reserve’s purpose to provide for sport and recreation.</li> <li>Less formal recognition of the historic and archaeological value of the pā</li> </ul>

### FINANCIAL CONSIDERATIONS

14. There is a small cost to place the required notice in the Gazette of the reclassification. This is included in existing operational budgets. Physical works to enable people to walk up to the top of the pā was completed in 2020. No additional budget is being sought at this time.

### LEGAL IMPLICATIONS / RISKS

15. There are no legal implications arising from the recommendation.
16. There is a risk that retaining the recreation reserve classification for the Pā will result in management decisions supporting recreation will impact the pa.

### TE AO MĀORI APPROACH

17. The reclassification of Puketoromiro Pā is an action in the Puketoromiro Pā Heritage Management Plan developed in partnership by Council and Ngāi Tamarawaho. Ngāi Tamarawaho are supportive of the reclassification and this was confirmed through this process. We continue to partner with the hapū to manage the pā as well as the whole reserve.

### CLIMATE IMPACT

18. The recommendations in this report do not have a specific climate impact.
19. The Kopurererua Valley is an area of high ecological significance. Protecting and restoring wetlands, riparian buffer zones and remnant native plantings near waterways to ensure their

ecological function is a key outcome supported by the Nature and Biodiversity Action and Investment Plan. While reserves may support climate mitigation and adaptation, this purpose is not specifically provided for in the Act.

## CONSULTATION / ENGAGEMENT

20. Public notification of any proposal to reclassify reserve land is required by the Act. In accordance with the procedure outlined in the Act, a public notice was placed in the Bay of Plenty Times on 14 June 2024. One submission in support of the proposed change of classification was received from the Tauranga Historical Society. No objections to the proposal were received.
21. As a key stakeholder in the restoration of the Kopurererua Valley, staff advised the Rotary Centennial Trust of the reclassification proposal. The Trust were supportive noting that it would better recognise the cultural and historical value of the area. A copy of their feedback is also appended at Attachment 1.
22. New Zealand Transport Agency Waka Kotahi previously advised that any future widening of Takitimu Drive will be within the existing road corridor and not impact on the pā.

## SIGNIFICANCE

23. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
24. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
  - (a) the current and future social, economic, environmental, or cultural well-being of the district or region
  - (b) any persons who are likely to be particularly affected by, or interested in, the decision.
  - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
25. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance. It is noted that the ongoing management of the Kopurererua Valley is of high significance to hapū.

## ENGAGEMENT

26. Taking into consideration the above assessment, that the decision is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

## NEXT STEPS

27. The Minister of Conservation has delegated back to administering bodies the power to reclassify reserves. Council has sub-delegated this to the General Manager: Community Services as the General Manager responsible for the reserve in question. Subject to the decision of this meeting and receiving this delegated approval, a notice will be placed in the *Gazette* confirming the change of classification.
28. Council is also required to send a copy of this report, any objections received, and the resolution of Council to the Commissioner (an officer designated by the Director-General for the purposes of the Act) for their information.

## ATTACHMENTS

1. **Submissions to Pukeotomiro Pa reclassification - A16740741**  







## 7.6 Temporary Road Closures - Events 2024/2025

**File Number:** A15914631

**Author:** Lindsay Cave, Team Leader: Corridor Access & Temporary Traffic Management  
Jenna Quay, Events Facilitation Manager

**Authoriser:** Nic Johansson, General Manager: Infrastructure

### PURPOSE OF THE REPORT

1. To seek Council approval of temporary road closures for upcoming events.

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### RECOMMENDATIONS

That the Council:

- (a) Receives the report "Temporary Road Closures - Events 2024/2025".
- (b) Pursuant to Clause 11(e) of the Tenth Schedule of the Local Government Act 1974, grants approval to close the roads listed on Attachment A to ordinary vehicular traffic on the dates and during the hours stated for the purposes of facilitating safe and successful operations during the following events in Tauranga.

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### EXECUTIVE SUMMARY

2. Pursuant to Clause 11(e) of the Tenth Schedule of the Local Government Act 1974 this report seeks the Council to approve the temporary road closures associated with events and activities in Tauranga as outlined in Attachment A.
3. The road closures aim to provide safe and well-organised events for public to attend, protect competitors, manage the transport network and minimise impacts to residents and businesses while events are taking place.
4. The organiser of each event will:
  - Undertake engagement with affected residents and businesses prior to the event occurring.
  - Submit a detailed temporary traffic management plan to the Corridor Access & Temporary Traffic Management Team for approval as part of Councils overall event approval process. This plan stipulates all traffic signage indicating sections of roads or carparks closed, alternative detours and, any other appropriate signage for traffic control and advance warning of road closures in accordance with the Code of Practice for Temporary Traffic Management (CoPTTM).

### BACKGROUND

5. The Event Facilitation Team coordinate a calendar of events with event organisers and affected stakeholders across the city. Event planning meetings are held in advance of events with representation from various Council teams, city stakeholders and the organisers. Many of these events have been running for several years with traffic management and road closures playing an important role in supporting the safety of event participants and the public.



6. Road closures allow for safe access to, during and from events by creating separation of vehicles from pedestrians. The wider event approval process led by the Event Facilitation Team assists in managing the impacts of events on residents and ensures event activities are managed within Councils regulatory requirements such as noise management, building consents, liquor licences and communication plans for example.

### STATUTORY CONTEXT

7. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	□
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	✓

8. Council has the authority to close roads under the powers of the Local Government Act 1974 – Clause 11(e) of Schedule 10.

### FINANCIAL CONSIDERATIONS

9. None.

### LEGAL IMPLICATIONS / RISKS

10. The formal approval of road closures by the Council is part one of a two-part approval process. In addition to seeking this approval from the Council under the Act, part two requires a warranted Site Traffic Management Supervisor (STMS), usually a traffic management company engaged by the event owner to submit a traffic management plan (TMP) to Tauranga City Council.
11. The Corridor Access team has delegated authority as a Traffic Management Coordinator (TMC) to review and approve a TMP in accordance with the Code of Practice for Temporary Traffic Management (CoPTTM).
12. The traffic management contractor engaged by the event owner has a duty to ensure so far as reasonably practicable the safe and efficient movement of all road users through and around the working space. This requires a risk assessment to be completed before the implementation of a traffic management operation.

### TE AO MĀORI APPROACH

13. No Te Ao Māori implications. This is a regulatory requirement.

### CLIMATE IMPACT

14. No climate implications. This is a regulatory requirement.

### CONSULTATION / ENGAGEMENT

15. All temporary road closures must be publicly notified by Tauranga City Council allowing a period for the public to submit comments. Any objections must be considered by the Committee before making a decision on the requested temporary road closures.
- (a) The temporary road closures were publicly notified on 1 October 2024 in the Bay of Plenty Times.
- (b) The consultation period finished on 22 October 2024. Staff to advise if any objections have been received at the Council meeting.

## SIGNIFICANCE

16. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
17. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
  - (a) the current and future social, economic, environmental, or cultural well-being of the district or region.
  - (b) any persons who are likely to be particularly affected by, or interested in, the decision.
  - (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
18. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance.

## ENGAGEMENT

19. Taking into consideration the above assessment, that the decision is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

## ATTACHMENTS

1. **Attachment A - Proposed Temporary Road Closures - Events 2024/2025 - A16744653** [↓](#)  




**8 DISCUSSION OF LATE ITEMS**

## 9 PUBLIC EXCLUDED SESSION

### Resolution to exclude the public

#### RECOMMENDATIONS

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
<b>9.1 - Approval for Twin Watermains Construction within Takitimu North Link under Waka Kotahi's Joint Venture Contractor</b>	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>9.2 - Tauriko West Funding Agreement - Variation of Feasibility Condition</b>	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities  s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>9.3 - Confidential Major Event Opportunity</b>	s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities  s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>Confidential Attachment 1 - 7.3 - Tauranga Art Gallery land purchase - chronology and record of decisions</b>	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
<b>Confidential Attachment 6 - 7.4 - Sale of the Marine Precinct</b>	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without	s48(1)(a) the public conduct of the relevant part of the proceedings of the meeting would be likely to result

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	prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
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## 10 CLOSING KARAKIA