

8. FINANCIAL PLAN

A seven-year financial plan was incorporated in the Framework. This was reviewed by the Subcommittee and amended to reflect the prioritisation set out above.

Given the uncertainty for the out years, there is a need for a rolling plan that provides certainty for the immediate future. WWL, which manages the Wellington Waterfront Project (WWP), prepares and presents a business plan every year, with a 12-month work plan that commits to work in that period with the next two years being more indicative. This Waterfront Development Plan will form the basis of WWL's Business Plan for Waterfront Development from 2006/07.

Assumptions

In preparing the financial plan a number of assumptions have been made. These include:

- Council funding of \$15.0 million, within the constraints imposed by the Framework and the LTCCP, will be available to the project.
- Current Council policy, which states that funds held plus future funds earned on the waterfront are available for reinvestment on the waterfront, will continue.
- That Council approves the use of funds in the Project's commercial development fund for appropriate expenditure on capital (public space etc) projects.
- No significant change in property market conditions, or in conditions relating to construction activities though there are several indicators (including labour shortages and visitor number reduction) that the economy is slowing down.

- Commercial property generates proceeds of "highest and best use" (allowing for predominantly public access to ground floors).
- Resource consents can be obtained in a timely fashion though the ongoing situation with Taranaki Street Wharf shows how passionately, and sometimes differently, people feel about the waterfront.
- Income from rented properties, car parking and use of event facilities is maintained as planned.
- Inflation results in current values of development sites, and rental income streams, increasing at the rate of 3% per annum, though it should be noted that the Reserve Bank's tolerance level, which is 3%, has been exceeded. Inflation of 3% per annum has also been incorporated where appropriate into expenditure figures, including those for public space development.

The current financial model allows for public space investment of \$61 million over the development period, which is now expected to extend beyond the original 30 June 2008 completion date. The expenditure on each area and project is based on the best information available. The above assumptions are consistent with those made in respect of the financial model contained in the Wellington Waterfront Framework.

Financial impact of development plan

The financial plan indicates that, given the above assumptions, the financial impact upon Council of this development plan will be similar to that contained in the Framework.

The Council contributes to WWL through an annual management fee and also through funding for development (this development funding is managed by WWL). This is shown in Figure 2.

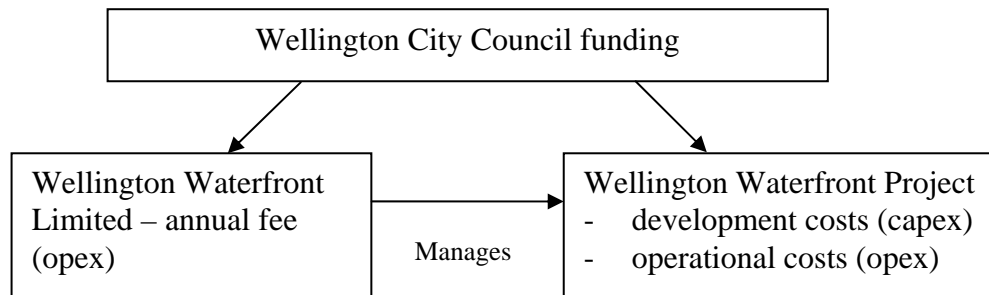


Figure 1 – Council funding to the waterfront

The contribution from the Council required to carry out development as shown in this plan is shown in the following table.

	Council Contribution to Operating Deficit \$m	Council Contribution to Development Costs (Capital) \$m	TOTAL COUNCIL CONTRIBUTIONS \$m
2006/2007	-	10.475	10.475
2007/2008	-	-	-
2008/2009	-	3.125	3.125
TOTAL	-	13.600*	13.600*

Figure 2 – Council funding of WWP (excluding the management fee)
 *Includes a \$2.6 million Council contribution to the QWEC remodelling

This table excludes the Council’s payment of WWL’s annual management fee, and internal Council waterfront costs such as the Waterfront Development Subcommittee. The Council contributions occur

later than shown in the 2005/06 LTCCP due to the need to phase capital expenditure with revenue and also the need for Council to reduce its short-term capital expenditure program.

Compared with the Framework there is an increase in the cost of developing public space of \$21.9 million. This reflects:

- The inclusion of the cost of developing the public space around the Queens Wharf Outer-T development site and the Overseas Passenger Terminal, which had previously been set off against property development proceeds.
- Costs have also been affected by a shortage of skilled labour and increased price of materials.

The above cost increases are largely offset by increases in the expected proceeds from commercial developments of \$19.2 million. This is due to:

- The inclusion of proceeds for projects such as Queens Wharf - Outer T development site and the Overseas Passenger Terminal, which previously had been set off against associated public space costs.
- The inclusion of proceeds from building sites on Waitangi Park, which had not previously been in the Framework estimates.
- Higher than expected financial outcomes from development sites already realised.
- Increases in the value of development sites.

Figure 3 - funding schedule for the WWP.

FUNDING SCHEDULE

	2007 \$m	2008 \$m	2009 \$m	Total \$m
Receipts				
Operating	2.161	1.941	1.821	5.923
Proceeds from commercial developments	2.200	20.510	8.600	31.310
Total receipts	4.361	22.451	10.421	37.233
Payments				
Waterfront operating costs	4.925	4.425	4.425	13.775
Public space developments	11.462	17.290	7.042	35.794
Total payments	16.387	21.715	11.467	49.569
Net cash surplus/(deficit)	-12.026	0.736	-1.046	-12.336
Funded by:				
Realisation of/(investment in) term deposits	1.613	-	-	1.613
Wellington City Council contributions – QWEC funding	2.600	-	-	2.600
Wellington City Council contributions	7.875	-	3.125	11.000
Total funding	12.088	-	3.125	15.213
Funding from Wellington City Council				
Contributions for waterfront operational costs	-	-	-	-
Contributions for public space developments	10.475	-	3.125	13.600
Total Wellington City Council Funding	10.475	-	3.125	13.600