



Wellington Waterfront Limited

QUARTERLY REPORT

to the

Council Controlled Organisations Performance

Subcommittee

Wellington City Council

Quarter ended 30 September 2009

Wellington Waterfront Limited
November 2009

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Appendix:

Appendix A - Financial Statements and KPI's

1. EXECUTIVE SUMMARY

Wellington Waterfront Limited (WWL) is pleased to present its report for the quarter ending 30 September 2009 outlining progress of the Wellington Waterfront Project and the Company.

1.1 *The Wellington Waterfront Project*

Key events during the quarter include:

- Opening of the Mojo Coffee Cartel headquarters and roastery in Shed 13 and Portofino Restaurant in the Meridian building
- The successful management of the ideas competition for future development the Outer-T on Queens Wharf
- Commencement of wharf pile repair work and reconfiguration of the Hunter St entry to Queens Wharf
- WWL submission to the independent planning commissioners hearing on proposed District Plan Variation 11
- Completion and distribution of the WWL Annual Report
- WWL submission of the draft development plan to WCC Strategy & Policy Committee

1.2 *The Company - Wellington Waterfront Limited*

Wellington City Council reviewed its earlier decision to transfer WWL's project development and management responsibilities to the Council in July 2010 and now believes that WWL should continue to manage waterfront projects subject to further review in mid 2012.

The economic climate has had a significant impact on the timing of proposed future key commercial developments on the waterfront, with the deferral period creating an opportunity to explore and implement a variety of interim uses for future development sites.

2. THE WELLINGTON WATERFRONT PROJECT

2.1 *Work Plan Implementation*

Progress on implementing the work plan is reported below.

Kumutoto

Meridian building

Portofino Restaurant opened and commenced trading in July 2009. It has proven to be an attractive and popular addition to the array of bars and restaurants on the waterfront and appears to be trading successfully.

Sites 8 & 9

Development planning by the Athfield Architects-led design team for a proposed development on sites 8 & 9 was suspended on 30 June 2009.

The chief reasons for the suspension were the lack of tenant and investor demand for commercial development due to the economic downturn and a decision to await the outcome of proposed District Plan Variation (DPV) 11 conducted by independent planning commissioners in mid August 2009.

The commissioners are due to make their recommendations to WCC in early November 2009. The outcome will recommend maximum allowable building heights and provide greater certainty around the resource consent process for future development in Kumutoto.

Site 10

An independent developer acting on behalf of Hilton Hotels has expressed possible development interest in site 10 but preliminary discussions have not progressed beyond that stage. The developer is awaiting the emergence of the economy from the current recession and the outcome of the DPV 11 process before it will make any meaningful commitment in regard to the site. WWL continues to closely monitor the market and remain alert to possible development opportunities.

In the meantime, WWL has embarked on detailed planning for the establishment of a motorhome park on site 10 for 39 vehicles as an interim use pending eventual redevelopment of the site.

Wellington City has long recognised the potential positive economic and social benefits that such a facility can bring to the city.

Application for building and resource consents and commencement of contract works are expected to take place in the second quarter with the intention of having the motorhome park open for operation by late January 2010.

Shed 11

A short term lease of Shed 11 to the New Zealand Portrait Gallery which commenced in January 2009 is due to expire in March 2010. NZPG has confirmed it is not willing to consider a co-share arrangement with the WCC i-Site and negotiations with NZPG toward a long-term lease and advance lump-sum rental payment are progressing well.

Shed 13

Mojo Coffee Cartel World Headquarters commenced operation from Shed 13 in July 2009. It comprises a combination of uses including the bulk storage of coffee and related products, coffee roastery, administration, sales and a facility for training staff and entertaining clients. The operation is publicly accessible and proving to be an attractive and popular place for public visitors.

Queens Wharf

Outer-T

The public ideas competition commenced in August and 176 entries were reviewed by an eleven-member jury in early September. Leading entries focused on recreational activities, maritime uses, retention of the helicopter facility, ability to programme events and some feature, perhaps an interactive artwork.

Announcement of the winning ideas and public display of leading entries will take place in early November.

Frank Kitts Park

Frank Kitts Park

A revised design proposal by Wraight & Associates for the Chinese garden was presented to and favourably received by the Wellington

Chinese Garden Society and TAG. Feedback is awaited from representatives of sister cities Xiamen and Beijing.

Taranaki Street Wharf

Wharewaka

Following Wharewaka o Poneke Charitable Trust's appointment of WWL as project manager for the wharewaka development, good progress has been made with development of detailed design and it is on target for lodging a building consent application in the second quarter.

WWL is assisting the trust in its consultation with stakeholders and other parties ahead of the application for an amended resource consent.

Construction is expected to commence in early 2010.

Taranaki St Wharf Repairs

Contractor GK Shaw is well ahead of the 20 December 2009 targeted completion date and is on budget for the forecast cost of \$1.03 million.

Waitangi Precinct

Overseas Passenger Terminal and Clyde Quay Wharf

Following the Environment Court's rejection of the Waterfront Watch appeal of the resource consent granted by GWRC and in light of delays resulting from the resource consent process, WWL and developer Willis Bond have agreed to some changes to the Development Agreement that allow an extension of time for the developer to confirm the contract unconditionally.

2.2 *General Operations*

Property Management

Earthquake Prone Buildings

WWL initiated a review of the earthquake prone status of all Company owned buildings. The report has been received and identified Shed 1, Shed 3 and the ex-Eastbourne Ferry building as being earthquake prone ie less than 34% of current code. Detailed studies of Shed 3 and

ex-Eastbourne Ferry building have been completed so that work can be included in any future refurbishment of the buildings.

Asset Management Plan

The AMP has been developed and uploaded with data. Further refinement is required prior to information being audited for accuracy. The AMP is expected to be fully complete by Q4 2009/10.

New Leases, rent reviews and lease renewals

The Maritime Police and Police National Dive Squad completed their fitout of the ex-Eastbourne Ferry building and moved into the building in early July.

In late July WWL's first floor office tenancy in the TSB Bank Arena, previously sub-let to Port Nicholson Block Claim Limited, was sub-leased to NZ Olympic Committee (NZOC). NZOC has subsequently sub-let part of the tenancy to the Outward Bound Trust of New Zealand.

Car park management review

A review of car parking operations was undertaken and a recommendation made to take the active management of these in-house commencing with sites 8, 9, 10 and Barnett St from 1 December 2009. The Frank Kitts Park and Herd St car parks will follow in 2010.

Community Relations

During the quarter WWL undertook the following community relations activities:

- Regular updates to WWL's web site to ensure project information and business listings were current
- Updated displays in the Waterfront Project Information Centre
- Responded to considerable media and public enquiries in regard to the draft development plan and proposed interim uses
- Managed the Blue-Sky the Outer-T ideas competition.

2.3 Financial Performance

Statement of Financial Performance

The YTD net operating deficit is \$896,000 against a budgeted deficit of \$1.242 million. The main factor contributing to the \$346,000 favourable variance is YTD Commercial planning costs being \$238,000 under budget. This is mainly due to timing differences between the budget and commencement of projects.

Statement of Financial Position

The net assets / equity position of the Project remains strong. The major capital expenditure items in the first quarter were \$733,000 towards wharf maintenance and \$333,000 for the Hunter Street intersection upgrade.

Liquidity

The Project's bank balance at 30 September 2009 totals \$715,000. This balance is higher than budgeted due to the timing of project and GST payments.

Current Assets and Current Liabilities totalled \$1.576 million and \$1.653 million respectively with a working capital ratio of 0.95:1.

Forecast

As at 30 September 2009 WWL has borrowed \$4.400 million from Council. Borrowing is forecast to increase during the forthcoming months as remedial works on the wharves are undertaken and the Hunter Street intersection upgrade are completed.

3. THE COMPANY – Wellington Waterfront Limited

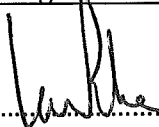
3.1 Comment on Progress

The Board continues its focus on ensuring the design, consultation, funding, and planning requirements of the waterfront development are completed effectively and according to the Framework by WWL management.

3.2 Financial Performance

The YTD Net Surplus is \$69,000 compared with the budgeted surplus of \$28,000. The major items contributing to the \$41,000 favourable variance are YTD Personnel costs and Administration costs under budget \$23,000 and \$13,000 respectively.

For the Board of:
Wellington Waterfront Limited


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Ian Pike
Chief Executive Officer
6 November 2009

WELLINGTON WATERFRONT LIMITED
KEY PERFORMANCE INDICATORS
For Year Ending 30 June 2010

Key Performance Indicators for 2009/10

- Oversee design development and apply for resource consent for the development of Kumutoto sites 8 & 9 in Q2. **Planning for the redevelopment of sites 8, 9 and 10 in the Kumutoto precinct were suspended at the end of June, pending the outcome of the planning commissioners recommendation to WCC on proposed District Plan Variation 11 setting maximum building heights for each site. The commissioners recommendation to WCC is expected in Q2 2009/10.**
- Oversee design development, apply for resource consent and complete construction planning for the redevelopment of Frank Kitts Park subject to reaching agreement with the Wellington Chinese Garden Society and Wellington Chinese sister cities – **on target.**
- Project manage the construction of the wharewaka at Taranaki Street Wharf which is due to commence January 2010 and be completed February 2011 – **on target.**
- Oversee design development and the completion of further public space developments at Taranaki St Wharf in conjunction with the Wharewaka – **on target.**
- Develop concepts, seek approvals, and oversee design development for the redevelopment of Queens Wharf, including Shed 6 and the Outer-T and prepare a master plan that will be publicly consulted upon as part of the process of adopting it as a variation to the district plan – **on target.**
- Complete phase 1 of the wharf refurbishment programme – **on target.**
- Develop concepts, seek approvals, oversee design development and facilitate the development of interim uses on development sites around the waterfront – **ongoing.**
- Prepare transitional plans in anticipation of a transfer of responsibility from WWL to WCC. **Development of the Asset Management Plan is on target. Extension of time for company agreed in the 2009/10 Development Plan.**

Measure	Frequency of measure	Target 2009/10	Quarter 2 2009/10
<i>Financial</i>			
Capital expenditure (public space and commercial development expenditure)	Quarterly	\$3.948m	\$1.125m
Commercial proceeds	Quarterly	\$0.000m	\$0.000m