



Wellington Waterfront Limited

QUARTERLY REPORT

to the

Council Controlled Organisations Performance

Subcommittee

Wellington City Council

Quarter ended 31 March 2011

Wellington Waterfront Limited
May 2011

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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 31 March 2011 outlining progress of the Wellington Waterfront Project and the Company.

1.1 *The Wellington Waterfront Project*

Key events during the quarter include:

- WWL successfully completed project delivery of the Wharewaka O Poneke Charitable Trust development of the wharewaka. The project was completed on time and on budget for a very successful public opening on Waitangi Day 6 February 2011.
- WWL also successfully completed construction of the public space surrounding the wharewaka and it was commissioned for public use in time for the wharewaka opening ceremony.
- Both the wharewaka and adjacent public space have both been nominated for the upcoming biennial Wellington Civic Trust design awards.
- WWL continues to work collaboratively with developers Willis Bond & Co in regard to development planning for the ground floor portion of the Overseas Passenger Terminal redevelopment and surrounding public space. Willis Bond successfully launched its apartment marketing campaign in late January and is aiming to commence construction in late 2011.
- WWL put on hold further development of design work for a Maritime Police building on the service jetty pending confirmation from Police of adequate funding for the project.
- WWL commenced detailed planning for the development of the Kumutoto public toilet ahead of an expected construction start in May 2011.
- WWL successfully commissioned a new electronic bollard access control system inside the Taranaki St Wharf gates to control vehicle access to that precinct.
- The motorhome park has almost completed its first twelve months of operation. Occupancy levels continue to improve in line with the facility becoming more established and better known.

- WWL signed a heads of agreement granting an Auckland based developer a three month exclusive option to prepare a preliminary concept design proposal for site 10 for WWL consideration in June 2011.
- WWL's draft asset management plan was independently reviewed and confirmed as being on track and making good progress toward its sign-off by Audit New Zealand.
- WWL continued its input into Rugby World Cup 2011 planning for Rugby World Cup village, fan zone and various festivities and public events planned for the waterfront.
- WWL's presentation of Queens Wharf precinct master planning recommendations was made to and well received by Wellington City Council in February.
- WWL progressed negotiations with CentrePort in relation to WWL taking back responsibility for berthing small vessels at wharves at Wellington waterfront.
- WWL commenced new lease negotiations with the proprietors of Dockside and Shed 5 Bar & Restaurant.
- WWL commenced an ongoing rolling programme of bridge maintenance with re-painting of the bascule bridge at Taranaki St.
- WWL facilitated and supported the roll out of 'Wi-fi' wireless internet access by Trade Me and NZ Wireless for free use across the waterfront.

1.2 *The Company - Wellington Waterfront Limited*

An independent review of the company was completed in February and the resulting recommendation to retain WWL as a council controlled organisation was endorsed by council vote in February.

Councillor endorsement of the recommendation to retain WWL is subject to the outcome of a review of the Waterfront Framework.

2. THE WELLINGTON WATERFRONT PROJECT

2.1 *Work Plan Implementation*

Progress on implementing the work plan is reported below.

Kumutoto

District Plan - Proposed Variation 11 (DPV11)

DPV11 is subject to mediation between the Council and the appellants. If agreement is unable to be reached the issue will be resolved by the Environment Court.

Sites 8 & 9

WWL is currently awaiting the resolution of DPV11 to provide a greater degree of certainty to the development planning and consenting process.

Site 10

WWL entered into a formal Memorandum of Understanding with a substantial Auckland based property developer, granting the developer a three month exclusive option to develop a preliminary concept design for consideration by WWL and TAG (Technical Advisory Group).

The developer's requirement for an exclusive option is to give the developer sufficient confidence to invest significant amounts of time and money into the preliminary planning of a major development.

In the event that both WWL and TAG approve the preliminary concept design, the developer has the right to the grant of three further exclusive options of three months (to 29 February 2012), subject to satisfactory progress being made on the developed design.

Wellington Waterfront Motorhome Park

The Wellington Waterfront Motorhome Park enjoyed significantly increased occupancy over the summer months. The facility encourages motorhome visitors not to bypass Wellington and many visitors elect to remain in the city for more than a proposed single night.

The motorhome park has completed its first twelve months of operation and advance bookings for the coming Rugby World Cup tournament are very encouraging.

Occupancy levels continue to improve in line with the facility becoming more established and better known.

Service Jetty (ex Eastbourne Ferry Wharf)

WWL and Police through architects Tennent & Brown and structural engineers Dunning Thornton, were advancing preliminary concept design for a building for Maritime Police and Police National Dive Squad on the service jetty behind the ex Eastbourne Ferry building.

Further development has been recently put on temporary hold pending Police confirmation of adequate funding for the project.

Kumutoto Public Toilets

Detailed planning of the facility is complete and off-site fabrication of major components is well advanced. Commencement of on site construction is expected in late May and completion in early July.

Queens Wharf

Queens Wharf Precinct

Master-planning concluded in November 2010. This and subsequent work by WWL to align potential uses and public expectations with affordable and financially feasible future redevelopment were presented to WCC in February and were well received.

Frank Kitts Park

Frank Kitts Park

Redevelopment plans have advanced to the point where further progress requires the Wellington Chinese Garden Society to commence fund-raising for its part of the project.

Taranaki Street Wharf

Wharewaka

WWL successfully completed project delivery for the Wharewaka O Poneke Charitable Trust development of the wharewaka.

The project was completed on time and on budget for a successful public opening by the Mayor at a pre-dawn ceremony on Waitangi Day 6 February 2011.

Taranaki St Wharf Public Space

WWL successfully completed construction of the public space surrounding the wharewaka and it was commissioned for public use in time for the wharewaka opening ceremony.

Both the wharewaka and adjacent public space have been nominated for the upcoming biennial Wellington Civic Trust design awards.

The wharewaka will be the hub of the Rugby World Cup 2011 village in Wellington and the fan zone will be based in the surrounding public space and adjacent Odlin Plaza.

Waitangi Precinct

Overseas Passenger Terminal and Clyde Quay Wharf

WWL continues to work collaboratively with Willis Bond & Co in regard to development planning for the ground floor portion of the Overseas Passenger Terminal redevelopment and surrounding public space.

Willis Bond successfully launched its apartment marketing campaign in late January and is aiming to commence construction in late 2011.

WWL has commenced design work on the public space in conjunction with the building design programme.

2.2 General Operations

Property Management

Asset Management Plan

The final draft of the WWL Asset Management Plan was externally peer reviewed by an independent asset management consultant. Recommendations were incorporated prior to external audit by Audit NZ in Q4 of 2010/11.

New Leases, Rent Reviews and Lease Renewals

A lease renewal was concluded with Shed 1 office tenant 'The Whiteboard'. No other new leases, rent reviews or lease renewals were completed during the quarter.

Maintenance

Normal routine maintenance was undertaken during the quarter. Structural engineers Holmes Consulting Group is currently undertaking an extensive wharf survey to establish a defined scope of work including consideration of seismic upgrade requirements.

Public Events

Wellington Waterfront will be the focus of public events and celebrations associated with Rugby World Cup 2011 in Wellington and WWL continues its participation in planning for the event.

2.3 Financial Performance

Statement of Financial Performance

The YTD net operating deficit is \$2.431 million against a budgeted deficit of \$3.277 million. The main factor contributing to the \$846,000 favourable variance is YTD Public and Commercial planning costs being \$380,000 under budget. This is due to several smaller planned projects being cancelled earlier in the year. Property costs are under budget by \$223,000 mainly due to rates and insurance expenses being under budget to date. This variance is expected to reduce by year end.

Statement of Financial Position

The net assets/equity position of the Project remains strong. The major capital expenditure items in the third quarter were \$679,000 towards the Taranaki Street Wharf public space development and \$250,000 towards Chaffers Marina wave screen maintenance.

Liquidity

The Project's bank balance at 31 March 2011 totals \$500,000.

Current Assets and Current Liabilities totalled \$8.499 million and \$2.786 million respectively with a working capital ratio of 3.05:1.

Forecast

As at 31 March 2011 WWL has borrowed \$9.900 million from Council. This borrowing is forecast to increase during the third quarter by \$1.5 million.

3. THE COMPANY – Wellington Waterfront Limited

3.1 Comment on Progress

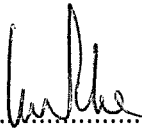
WWL is currently participating in the preparation of a scoping paper to be presented to Council in mid-May recommending the nature and extent of a review of the Waterfront Framework.

In the meantime the WWL Board continues its focus on ensuring the design, consultation, funding and planning requirements of the waterfront development are completed effectively by WWL management in accordance with the Framework.

3.2 Financial Performance

The YTD Net Surplus is \$249,000 compared with the budgeted deficit of \$16,000. The major items contributing to the \$265,000 favourable variance are YTD Personnel costs being under budget by \$234,000. This is due to timing differences in the payment of a retention payment which will be paid in April 2011.

For the Board of:
Wellington Waterfront Limited



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Ian Pike
Chief Executive Officer
May 2011

**WELLINGTON WATERFRONT LIMITED
KEY PERFORMANCE INDICATORS
For Year Ending 30 June 2011**

Key Performance Indicators for 2010/11

- Wharewaka – **completed on time and on budget**
- Taranaki Street Public Space – **completed on time and on budget**
- Overseas Passenger Terminal Redevelopment - Facilitate the commencement of construction in late 2011 (subject to developer Willis Bond & Co confirming the contract) and complete all WWL ground floor lease negotiations – **on target.**
- Frank Kitts Park - 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. **Application for resource consent has been deferred until the Wellington Chinese Garden Society significantly advances its fundraising.**
- Sites 8, 9 and 10 – Achieve a favourable DPV11 decision at the Environment Court by Q2 – **progress to the Environment Court delayed pending review of the Waterfront Framework in Q4.**
- Kumutoto Toilet – **target date for completion of project deferred from Q2 to Q4**
- Queens Wharf Master-planning – Complete the master-plan and gain WCC approvals to the direction of the precinct by Q4 – **completed**
- Service Jetty – Kumutoto – complete design planning and regulatory approvals phases by Q2 – **target date now deferred to Q4.**
- Interim Uses – the proposed seasonal ice-skating rink at Queens Wharf and Tensile Structure at Barnett St have been abandoned due to the financial non-viability of either project.
- UN Studio Building – **target date of Q2 for preliminary feasibility study deferred (until Q4), pending preliminary high level discussions between WWL, WCC and central government for establishment of the UN Studio building as a national art gallery**

- Asset Management Plan – Achieve ‘core’ status by Q2 – **completed subject to external review by Audit New Zealand in Q4**
- Rugby World Cup – **WWL participation in planning for RWC 2011 is ongoing.**

Measure	Frequency of measure	Target 2010/11	Quarter 2 2010/11
<i>Financial</i>			
Capital expenditure (public space and commercial development expenditure)	Quarterly	\$4.394m	\$957,000
Commercial proceeds	Quarterly	\$1.450m	\$0

WELLINGTON WATERFRONT PROJECT
STATEMENT OF FINANCIAL PERFORMANCE
for the quarter ending 31 March 2011

Third Quarter				Year to Date			Full Year
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>		<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget</i>
<i>\$000's</i>	<i>\$000's</i>			<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
REVENUE							
1,007	967	40	Lease revenue	2,957	2,909	48	3,819
-	-	-	Sundry income	22	1	21	1
4	3	1	Venue hire/Sponsorship	10	8	2	131
114	114	-	Operating recoveries	361	341	20	433
3	6	(3)	Interest income	26	18	8	24
1,128	1,090	38	TOTAL REVENUE	3,376	3,277	99	4,408
EXPENSES							
1,369	1,459	90	Property Costs	4,150	4,373	223	5,786
58	170	112	Public and Commercial Planning	190	570	380	840
5	10	5	Public Relations and Sponsorship	12	30	18	61
505	892	387	Administration	1,455	1,581	126	2,116
1,937	2,531	594	TOTAL EXPENSES	5,807	6,554	747	8,803
(809)	(1,441)	632	NET OPERATING SURPLUS / (DEFICIT)	(2,431)	(3,277)	846	(4,395)

WELLINGTON WATERFRONT PROJECT
STATEMENT OF MOVEMENTS IN EQUITY
for the quarter ending 31 March 2011

Third Quarter				Year to Date			Full Year
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>		<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget</i>
<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>		<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
157,495	157,281	214	OPENING EQUITY	158,517	158,517	-	158,517
(809)	(1,441)	632	Net deficit attributable to WCC	(2,431)	(3,277)	846	(4,395)
-	-	-	Movement in asset revaluation reserve	-	-	-	-
300	300	-	Contribution from WCC - Management fee	900	900	-	1,200
-	-	-	Contribution from WCC - Public space	-	-	-	5,000
156,986	156,140	846	CLOSING EQUITY	156,986	156,140	846	160,322

WELLINGTON WATERFRONT PROJECT
STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

	<i>Actual</i> <i>Mar-11</i> \$000's	<i>Actual</i> <i>Dec-10</i> \$000's
CURRENT ASSETS		
Deposits/bank	500	530
Operating receivables	302	295
Prepayments	333	496
Intercompany	(4)	(3)
Properties intended for sale	7,368	7,368
TOTAL CURRENT ASSETS	8,499	8,686
NON CURRENT ASSETS		
Fixed assets	159,776	159,335
Shares in Chaffers Marina Holdings Ltd	985	985
Option asset	26	26
Meridian Building Receivables	387	387
Properties intended for sale	-	-
TOTAL NON CURRENT ASSETS	161,174	160,733
TOTAL ASSETS	169,673	169,419
CURRENT LIABILITIES		
Accounts payable	642	975
Retentions and bonds	145	140
Deferred income	1,999	2,008
TOTAL CURRENT LIABILITIES	2,786	3,123
NON CURRENT LIABILITIES		
Advance from associate company	1	1
Long term advance - WCC	9,900	8,800
TOTAL NON CURRENT LIABILITIES	9,901	8,801
EQUITY		
Wellington City Council	141,738	142,247
Asset revaluation reserves	15,248	15,248
TOTAL EQUITY	156,986	157,495
TOTAL FUNDS EMPLOYED	169,673	169,419

WELLINGTON WATERFRONT PROJECT
STATEMENT OF CASHFLOWS
for the quarter ending 31 March 2011

Actual \$000's	Third Quarter			Year to Date			Full Year Budget \$000's
	Budget \$000's	Variance \$000's		Actual \$000's	Budget \$000's	Variance \$000's	
OPERATIONS							
1,124	1,089	35	Cash In	3,462	3,275	187	4,274
(782)	(972)	190	Cash Out	(2,870)	(3,567)	697	(5,904)
342	117	225	Net Operation Cash Flows	592	(292)	884	(1,630)
INVESTMENT							
-	-	-	Cash In	1,450	1,450	-	6,450
(1,472)	(800)	(672)	Cash Out	(3,160)	(3,694)	534	(4,394)
(1,472)	(800)	(672)	Net Investment Cash Flows	(1,710)	(2,244)	534	2,056
FINANCING							
1,100	700	400	Cash In	1,100	2,600	(1,500)	-
-	-	-	Cash Out	-	-	-	-
1,100	700	400	Net Financing Cash Flows	1,100	2,600	(1,500)	-
(30)	17	(47)	NET MOVEMENT IN CASH FLOWS	(18)	64	(82)	426
530	272	258	Opening Balance	518	225	293	242
500	289	211	Closing Balance	500	289	211	668

WELLINGTON WATERFRONT PROJECT
CAPITAL EXPENDITURE - CURRENT YEAR
as at 31 March 2011

	Year To Date			Year end
	Actual	Budget	Variance	Plan
	\$'000	\$'000	\$'000	\$'000
PUBLIC SPACE				
<i>Taranaki Wharf Project</i>				
TSW Public Space	2,597	2,100	(497)	2,100
Total Taranaki Wharf	2,597	2,100	(497)	2,100
<i>Wharewaka</i>				
Wharewaka	69	69	-	69
Total Wharewaka	69	69	-	69
<i>Overseas Passenger Terminal</i>				
Overseas Passenger Terminal	80	-	(80)	-
Total Overseas Passenger Terminal	80	-	(80)	-
<i>Kumutoto NQW</i>				
Kumutoto WC	24	375	351	375
Total Kumutoto NQW	24	375	351	375
<i>Minor Works</i>				
Other	11	-	(11)	100
WWMP	-	-	-	-
Chaffers Marina Maintenance	250	250	250	250
Chaffers Marina Relocation	-	500	-	500
Shed 11 sale	100	200	100	200
Tensile Structure	-	200	200	800
Total Minor Works	361	1,150	789	1,850
TOTAL PUBLIC SPACE	3,131	3,694	563	4,394
TOTAL CAPITAL EXPENDITURE	3,131	3,694	563	4,394

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
for the quarter ending 31 March 2011

<i>Third Quarter</i>			<i>Year to Date</i>			<i>Full Year</i>
<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>	<i>Budget</i>
<i>\$000's</i>	<i>\$000's</i>		<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>	<i>\$000's</i>
REVENUE						
300	300	-	900	900	-	1,200
3	3	-	12	10	2	14
303	303	-	912	910	2	1,214
EXPENSE						
177	212	(35)	489	723	234	885
19	29	(10)	72	88	16	117
34	39	(5)	102	115	13	172
230	280	(50)	663	926	263	1,174
73	23	50	249	(16)	265	40
NET SURPLUS (DEFICIT)						

WELLINGTON WATERFRONT LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2011

	<i>Actual Mar-11 \$000's</i>	<i>Actual Dec-10 \$000's</i>
CURRENT ASSETS		
Deposits/Bank	227	547
Accounts Receivable	384	48
Prepayments	1	8
	612	603
NON CURRENT ASSETS		
Office Equipment	14	15
Computer Equipment	5	5
Motor Vehicle	1	1
	20	21
TOTAL ASSETS	632	624
CURRENT LIABILITIES		
Accounts Payable / Accruals	72	65
Tax Provision	-	-
Management Fee in advance	321	321
	393	386
EQUITY		
Paid Up Capital	1	1
Retained Earnings	238	237
TOTAL EQUITY	239	238
TOTAL FUNDS EMPLOYED	632	624

WELLINGTON WATERFRONT LIMITED
STATEMENT OF CASHFLOWS
for the quarter ending 31 March 2011

	Third Quarter			Full Year
	<i>Actual</i> \$000's	<i>Budget</i> \$000's	Variance \$000's	<i>Budget</i> \$000's
OPERATIONS				
Cash In	76	343	(267)	1,427
Cash Out	(396)	(344)	(52)	(1,377)
Net Operation Cash Flows	(320)	(1)	(319)	50
INVESTMENT				
Cash In	-	-	-	-
Cash Out	-	-	-	-
Net Investment Cash Flows	-	-	-	-
NET MOVEMENT IN CASH FLOWS				
	(320)	(1)	(319)	50
Opening Balance	547	533	-	523
Closing Balance	227	532	(319)	573
REPRESENTED BY:				
Cash	227	532	(305)	573
Total Cash	227	532	(305)	573