
REPORT 1
(1215/52/IM)

DRAFT 2010/11 WATERFRONT DEVELOPMENT PLAN

1. Purpose of Report

The purpose of the report is to present, and seek approval for, the 2010/11 Draft Waterfront Development Plan (the Plan), for consultation with the public.

2. Executive Summary

The draft 2010/11 Waterfront Development Plan continues to progress the 10-year work programme approved by Council in December 2008. The main projects to be worked on during the year are the construction of the wharewaka and the surrounding public space on Taranaki Street Wharf (TSW), both of which are being project managed by Wellington Waterfront Limited (WWL).

In addition, business cases will be developed for the tensile fabric structure and the ice skating rink - two of the three interim uses presented as part of the 2009/10 Plan. Council will consider the business cases for both of these projects before construction can commence. The other interim use, the motorhome park, was completed in March of this year.

Other projects include maintenance and relocation costs for the Chaffers Marina in anticipation of the Overseas Passenger Terminal redevelopment. WWL also intends to undertake feasibility studies for the proposed UN Studios and Wardle buildings in Waitangi Park.

When it approved the 2009/10 Plan, Council asked WWL to address a number of issues in relation to the proposed toilets for Kumutoto. WWL has established the need for the proposed Kumutoto toilets after addressing concerns around design, and the signage and condition of existing facilities however they were unable to reduce the budgeted construction cost below \$400k.

The total public space expenditure budget in the draft 2010/11 Plan has increased compared to what was anticipated in the 2009/10 Plan. This is due to an increase in the TSW public space budget, the Chaffers Marina work being brought forward and inclusion of construction costs for the previously unbudgeted tensile fabric structure. There will also be unspent budget brought forward from 2009/10 in relation to the Kumutoto toilets and the WWL contribution to the wharewaka.

Officers have also reported a number of matters noted in the updated 10-year financial forecasts provided by WWL. These include WWL identifying the opportunity to increase the term of some of its current short term heritage leases, and thereby secure significant upfront payments.

The funds generated could be used to repay the Council loan though officers note that a significant portion of these budgeted funds have been allocated to an increased public space budget in the outyears, principally for the previously unbudgeted tensile fabric structure.

If the upfront funds are used to pay for an expanded public space programme, the reduction in short term lease revenue will increase the Project's operating deficit which will ultimately need to be funded by ratepayers.

While the risk remains that commercial proceeds for the Waterfront Project may be less, or later than anticipated, officers note that the current forecasts indicate that the Council loan will be repaid in 2015/16, and that the peak net borrowing has decreased significantly compared to what was anticipated in the 2009/10 Plan.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receives the information.*
2. *Approve the draft 2010/11 Waterfront Development Plan, attached as Appendix 1, for public consultation.*
3. *Delegate to the Chief Executive and the Portfolio Leader for Urban Development the authority to approve any minor editing amendments required to the draft Plan before it is published for consultation.*
4. *Note that officers will report back to the Strategy and Policy Committee on 23 June 2010 on the outcomes of the consultation process.*
5. *Note that Wellington Waterfront Limited has addressed concerns over the proposed Kumutoto toilets regarding the design feedback, and the signage and condition of existing facilities however it was unable to reduce the construction budget below \$400k.*
6. *Approve the proposed Kumutoto toilets to be constructed in 2010/11.*

4. Background

The Strategy and Policy Committee has the delegation to approve the Annual Development Plan for the waterfront. The Wellington Waterfront Framework (the Framework) states that this is to be done through a balance of making good progress on the waterfront and providing the public with sufficient opportunity to be involved in the process.

The Annual Development Plan outlines the work programme to implement the objectives of the Framework. It has been developed directly from the concepts as laid out in the Framework, and includes how developments will be done, a phasing schedule and a financial model for the proposed work.

In December 2008 Council decided to extend the implementation of the Waterfront Project (the Project) over a 10 year period and agreed a 10-year work programme. This was based on longer than anticipated Resource Management Act (RMA) timeframes for individual projects, an unfavourable development market and financial constraints as a result of deferred income from commercial developments within the project. It was considered that the implementation should be spread to better align public space expenditure with the income from commercial developments, thereby reducing the impact on ratepayers.

A significant new focus of the 2009/10 Plan, which was agreed in November 2009, was the investigation of potential interim uses for waterfront sites whose associated commercial projects had been deferred in the short to medium term as a result of the prevailing market conditions. One of these interim uses, the temporary campervan (motorhome) park, has been constructed and is now fully operative. The other two, the ice-skating rink and the tensile fabric structure are discussed further below.

5. Discussion

While this report seeks approval only for the draft 2010/11 Waterfront Development Plan, it is important to consider this in conjunction with WWL's forecast performance against the approved 2009/10 Plan and specifically the Strategy and Policy Committee (SPC) resolutions in November 2009 regarding the proposed interim uses and the Kumutoto toilet facilities.

In addition, consideration of WWL's updated 10-year financial forecast will provide context to the proposed developments for 2010/11. Any material differences in the 10-year outlook since the 2009/10 Plan was approved are considered whilst noting that there will be an opportunity to review these outyears during the preparation of the 2011/12 and subsequent plans.

5.1 WWL forecast performance against 2009/10 targets

By the end of the 2009/10 year, WWL's public space improvements will include completion of the Hunter Street traffic controls, the first stage of the wharf maintenance and the establishment of the motorhome park on site 10.

The main public space underspends against the 2009/10 Plan are:

- \$400k for the Kumutoto toilets (now budgeted for 10/11, subject to Council approval to proceed),
- the remaining WWL contribution to the wharewaka project of \$309k (moved from 09/10 to 10/11), and
- \$100k budgeted for the Taranaki Street Wharf traffic controls (moved from 09/10 to 10/11).

No work was undertaken on the Frank Kitts Park resource consent pending clarification of the Wellington Chinese Garden Society (WCGS) fundraising programme, and planning work was suspended on sites 8 and 9 in Kumutoto pending the resolution of the District Plan Variation 11 appeal, and also an improvement in economic conditions. These have contributed to total operating costs being forecast to be underspent by around \$550k at year-end.

As a result of the above public space and operating cost forecast underspends, WWL's forecast loan balance with Council at 30 June 2010 has changed from \$10.1m (in the 09/10 Plan) to \$8.8m (draft 10/11 Plan).

5.2.1 Projects proposed for 2010/11

The main construction projects planned for the 2010/11 year are the continued project management of the wharewaka, and the redevelopment of the surrounding public space on Taranaki Street Wharf (TSW). In addition, there is planned maintenance for Chaffers Marina, plus the relocation of the Marina offices and amenities, and various existing marine services businesses. The draft 10/11 Plan also includes the construction of the Kumutoto toilets and commencement of the tensile fabric structure, both subject to Council approval.

The wharewaka and TSW public space (including the traffic measures) have been indicated previously, most recently in the 2009/10 Plan though the budgeted cost for the first stage of the TSW public space has increased by \$320k since last year. The reason for this is that the TSW public space has been considered as occurring in two stages, with only the first stage budgeted for in recent development plans. The second stage includes the proposed bridge from the City to Sea Bridge, landing in the Odlins Plaza. Given the uncertainty around the second stage eventuating, some other aspects of it have been brought forward into the first stage, thus increasing the cost. Nothing that is being done in the first stage will preclude the ability to construct the second bridge in the future, should this be decided.

WWL also intends to undertake feasibility studies on the proposed UN Studio and Wardle designed buildings proposed for Waitangi Park. The designs were approved by the Waterfront Development Subcommittee in November 2005 following the design competition held earlier in the same year. The projects have not progressed due to a combination of market conditions, balancing resources and other priorities.

A number of the projects proposed for the 2010/11 year were planned for 2009/10 and considered as part of the development plan for that year. Some were the subject of specific SPC resolutions and are discussed in greater detail below.

5.2.2 Kumutoto toilets

The construction of the Kumutoto toilets was budgeted in the draft 2009/10 Plan. Following public consultation on the 2009/10 Plan, SPC approved the Plan in November 2009 at which point it resolved that:

Wellington Waterfront Limited will consider the public concern over the Kumutoto toilet proposal's cost with the objective of reducing the costs, considering the design feedback and reviewing the signage and condition of existing facilities before seeking Council approval to proceed.

In response, WWL has sought to meet the objectives required by the resolution and their actions are outlined below.

With regard to the Kumutoto toilet design, some people felt that it should be more sympathetic to, and better integrated with the surrounding architecture. Consequently the Technical Advisory Group (TAG), who provide independent design advice to the Council and ensure that the Waterfront Framework principles are consistently applied, reviewed the design and the feedback arising during consultation on the 2009/10 Plan.

TAG noted that the proposed Kumutoto toilets were necessarily visually expressive, and related well to their setting. The proposed toilets would relate well to the adjacent heritage Shed 11 by contrast (as they should) and the red paint finish to the cladding is appropriate, as it accentuates a shipping rather than an animal metaphor.

With regards to the availability of other public toilets in the Kumutoto precinct, officers note that there is only one bona fide public toilet, the male toilets located in Shed 6 and the female toilets located on the Outer-T. Both of these facilities are of a basic nature and of modest condition. There are other facilities in the area, within the surrounding bars and restaurants however these are for use by patrons only. The Wellington Museum of City and Sea also has toilets for use by patrons only and officers understand that they are used quite regularly by non-patrons, and that this is something the Museum would like to avoid if possible.

Accordingly, any increased or improved signage could only be in relation to the sole public facilities noted above. The closest public toilets after these ones are located by the lagoon in Frank Kitts Park.

The final consideration that WWL was asked to address relates to the cost of the proposal. WWL has reviewed the cost implications of the toilet design and completed value engineering but is unable to confirm an estimated construction budget of less than the \$400k originally proposed.

WWL has responded to the issues raised by SPC in November 2009, and has addressed those relating to design, and the signage and condition of existing facilities. WWL has attempted to reduce the proposed cost however this has not proved possible.

WWL has sought to address the concerns raised by SPC and has established the need for the proposed toilets; accordingly officers recommend that Council approve the construction of the Kumutoto toilet.

5.2.3 Tensile Fabric Structure

This is one of the proposed interim uses and was also considered as part of the draft 2009/10 Plan. Following public consultation SPC resolved:

Wellington Waterfront Limited will complete the planning and design work for the Temporary tensile fabric structure and prepare a business case that demonstrates whether or not the project is financially viable before seeking Council approval to proceed.

WWL has continued to investigate the feasibility of this proposed interim use however it has not yet completed a business case. WWL plans to develop the business case early in the 2010/11 year with a view to presenting it to Council for consideration and approval during the 2010/11 year. If the business case is approved, WWL plans to start construction in the fourth quarter of the same year. The 10-year financial projections have \$2.4m budgeted for this project, \$0.8m in 2010/11 and \$1.6m in 2011/12; no budget was approved for this project in the 2009/10 Plan as it was, and still is, subject to Council approval.

5.2.4 Ice-skating rink

This proposed interim use was also considered as part of the 2009/10 Plan and was the subject of an identical resolution to the one for the tensile fabric structure. This proposed facility cannot be built until Council has considered and approved the business case.

WWL intends to work on this proposal during the 2010/11 year however no construction funding has been provided for it in the 10-year financials.

5.2.5 Financial considerations of projects proposed for 2010/11

The projects proposed for 2010/11 have a public space budget of \$4.22m compared to the \$1.79m indicated in the 2009/10 Plan. The increased expenditure of \$2.43m is explained in the table below:

Public Space Project	Variation	Explanation
	\$million	
Taranaki Street Wharf	0.35	Aspects of Stage 2 brought forward into Stage 1
Tensile Fabric Structure	0.80	Not previously budgeted
Chaffers Marina relocation	0.50	Brought forward from 2012/13
WWL contribution to wharewaka	0.31	Underspend against 2009/10 budget
Kumutoto toilets	0.40	Underspend against 2009/10 budget
TSW traffic measures	0.10	Underspend against 2009/10 budget
Other	(0.03)	
Total public space variance	2.43	

The implication of the increased public space expenditure in the draft 2010/11 Plan is that the Council loan to the Project will be drawn down by \$13.8m at 30 June 2011 compared to the previously forecast \$12.7m. The increased drawdown requirement is less than the proposed increase in public space expenditure due to the budgeted realisation of commercial proceeds not previously forecast for the 2010/11 year.

The rates impact of the increased loan funding requirement on the Council is an additional \$34k in loan interest costs in the 2010/11 year compared to the costs included in the 2010/11 Draft Annual Plan (DAP).

5.3 Waterfront 10-year Forecast

Officers note that there has been no change in the anticipated finishing date for waterfront developments - the current forecast shows that, if current targets are achieved, all programmed waterfront development (commercial projects and public space expenditure) will be completed by 2017/18, as previously indicated in the 2009/10 Plan.

WWL's current 10-year forecast extends from 2010/11 to 2019/20, noting that no capital developments will take place after the 2017/18 year. At which point the operating costs for managing and maintaining the waterfront would still exist, however there would no longer be a need for WWL, certainly in its present form with an annual management fee of \$1.2m.

Notwithstanding the fact that this paper seeks approval only for the 2010/11 work programme, officers note the following matters with regard to the current 10-year forecast:

1. The latest 10-year financial forecasts show an increase in proposed public space expenditure of \$3.62m. The major differences are:
 - a. \$2.40m for the tensile fabric structure not previously budgeted,
 - b. \$0.50m increase in the Overseas Passenger Terminal public space budget,
 - c. \$0.32m increase in the Taranaki Street Wharf public space budget.
2. WWL has identified the opportunity to increase the lease term up to 25 years for some of its current short term heritage property operating leases and thereby secure significant upfront payments. Officers support this approach, provided that the increased lease terms represent a sound commercial deal, as the funds can be used to help repay the Council's loan balance and reduce the interest charges payable.

This approach also agrees with the Framework that states that 'income should be generated up-front wherever possible to minimise the impact on ratepayers.'

However, officers note that a significant portion of these receipts are forecast to fund the increased public space expenditure budget referred to above. The annual operating lease revenues for these sites currently contribute to funding the Project's annual operating costs; the upfront payments for increasing the lease term if used to fund increased public space expenditure will reduce the Project's operating revenue, resulting in greater operating deficits for the Project in subsequent years for the term of the extended lease.

3. An improvement in the economic outlook has resulted in the Overseas Passenger Terminal commercial proceeds now being expected earlier than previously anticipated. As a result of this, and the proposed lease increases referred to above, WWL is currently forecasting an earlier repayment of the Council loan, and an improved loan profile. This in turn leads to a significant reduction in the Council's group interest payments over the forecast period.
4. From 2010/11 to 2017/18, when waterfront development is currently scheduled to be completed, WWL forecasts that the Project's net operating position will be a \$6.3m deficit. The 09/10 Plan indicated a net operating position for the same period of a \$2.8 million deficit. Given that the Council loan is currently forecast to be repaid in 2015/16, this operating deficit will effectively be funded by commercial proceeds.

This worsening of the operating position over the 8-year period is largely a result of a decrease in car parking revenues as development progresses, the loss of operating revenues anticipated by the potential 25 year leases

and the fact that forecasts do not include any financial return from the spend on the tensile fabric structure. That said, forecast car parking revenues increase in the short term as a result of WWL taking over direct management of this function.

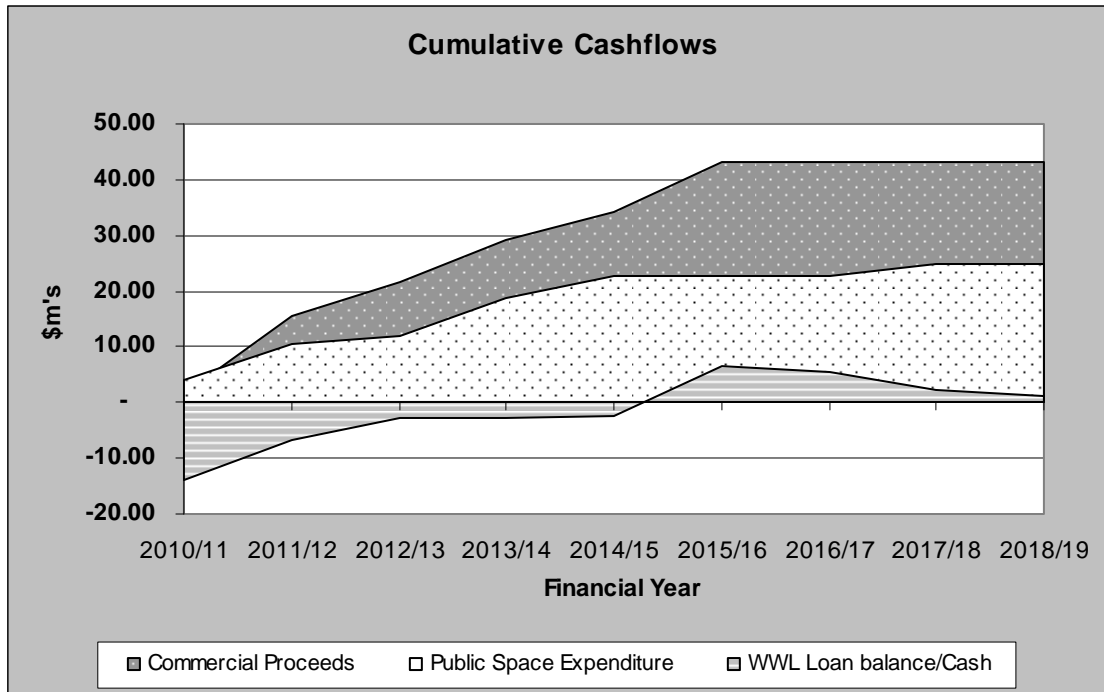
5. As it currently stands, the 10-year forecast does not include the development of all waterfront sites anticipated by the Framework. Notable omissions include commercial proceeds for the four competition winning buildings proposed for Waitangi Park, any substantial developments emanating from the Queens Wharf masterplan and the second stage of the Taranaki Street Wharf public space.

The rationale for this is that there is significant feasibility and planning work to be undertaken before a realistic indication of the costs and revenues can be ascertained, and also the timings of the associated cash flows.

The ice-skating rink, proposed as an interim use in the 2009/10 Plan has also not been budgeted for in terms of future costs and revenue. WWL will undertake to develop a business case during the 2010/11 year and present it to Council for its consideration.

6. In June 2007, the Council approved loan funding to the Waterfront Project of \$15m. The 2009/10 Plan indicated a likely peak net borrowing amount of \$18.0m however the latest forecast anticipates a peak net borrowing requirement of \$13.8m, in the 2010/11 year. Officers note that this improved net borrowing position benefits from the upfront lease payments referred to above.

The chart below illustrates the major factors in the 10 year financial forecasts showing the overall commercial proceeds over the period of the forecast of \$43m, the proposed expenditure on public space development rising to a total of \$25m and the movement in the Council loan funding which is shown to be repaid during the 2015/16 year.



5.4 Risk analysis

The key financial risk to the Waterfront Project is receiving less commercial proceeds than forecast, and to a lesser extent, the timing of any such proceeds. The recent global recession has led to further uncertainty surrounding the current and future economic conditions.

Officers note that the Project's costs have increased significantly over the last couple of years due to the identification of urgent and necessary wharf pile maintenance. Around \$1.4m has been spent during the 2009/10 year (on the southern end of the Outer-T and under Taranaki Street Wharf), with a further \$8.6m forecast between now and 2017/18.

A further risk is the outcome of District Plan Variation 11 (DPV11), ratified by Council in November 2009 but subsequently appealed to the Environment Court. While the decision has made the current Athfield designs for sites 8 and 9 more challenging, the certainty which DPV11 can offer to prospective developers has the potential to reduce aspects of the historically time-consuming regulatory processes.

The draft 2010/11 Plan, as with previous plans, attempts to balance the levels of borrowing with anticipated commercial proceeds and the deferral of non-essential public space developments. It would be inconsistent, however, with the overall vision of the Framework to cease public space development

altogether. The identified risks continue to support the principle of spreading the work programme and ensuring sufficient flexibility to respond to the changing circumstances. To a large extent these risks are timing related and are mitigated by utilisation of the Council approved loan funding to the Waterfront Project.

5.5 Consultation and Engagement

The draft 2010/11 Waterfront Development Plan, as with previous year's plans, will undergo a formal consultation process, where members of the public have the opportunity to provide their feedback on the projects proposed. Subject to the draft 2010/11 Plan being approved by the Council, it is anticipated that public consultation will follow in April / May, with any feedback being incorporated into the final plan for Council's approval in June 2010.

Any minor amendments to this plan prior to it being issued for consultation will be approved by the Chief Executive and the Urban Development and Transport Portfolio Leader.

Any changes to the draft 2010/11 Plan as a result of the public consultation will be made and followed through into WWL's business plan where relevant. The final Waterfront Development Plan will be approved by Council following consultation and any amendments made by the Committee.

5.6 Climate Change Impacts and Considerations

WWL incorporates environmental sustainability practices into all new development designs. The most widely known example is the Meridian building on site 7 however water and energy savings features have also been incorporated into the recently completed motorhome park amenities building.

Future building designs will consider a range of options including:

- active measures, for example, low energy lights and wind and solar power;
- passive measures, such as reduced car parking and planning configurations that encourage the use of stairs as opposed to lifts;
- features that will cope with the expected sea level rises and storm surges over the next 50 years; and
- ensuring adequate rubbish and recycling facilities on the waterfront.

5.7 Rugby World Cup 2011

WWL plans to contribute to, and participate in the planning for, Wellington's part in the Rugby World Cup 2011. It is proposed that the wharewaka be used as the base for the World Rugby Village, and Queens Wharf will be a natural congregation point for locals and visitors alike. WWL plans to use a number of existing attractions and to implement a range of new initiatives to make the waterfront an attractive thoroughfare to the stadium as well as a major destination in its own right.

Officers will continue to work with WWL to ensure a successful delivery of the Rugby World Cup, which will include appropriate scheduling of all waterfront construction and major maintenance projects for the duration of the competition period.

5.8 Long-Term Council Community Plan Considerations

Council's 2010/11 Draft Annual Plan reflects the 10-year financial forecast submitted by WWL during the preparation of the 2009/10 Waterfront Development Plan. While a number of project revenues and expenditures have changed significantly in terms of timing and amount, there is an overall improvement in the repayment profile of the Council's loan, with a corresponding reduction in Council's interest costs.

As noted in preceding sections of this report, approval is sought only for the draft 2010/11 work programme and the associated financials. Officers note that the variances relating to the 2010/11 year can be managed within existing Council budgets.

The draft 2010/11 Plan is consistent with the principles of the Waterfront Framework which in turn is reflected in the 2009/19 LTCCP as the guiding policy for waterfront development.

6. Conclusion

The draft 2010/11 Waterfront Development Plan reflects WWL's proposed work programme for the year, which is in accordance with the intentions of the Waterfront Framework.

If the Committee approves the draft Plan, it will go out for public consultation in April / May. A report on the submissions made and any proposed changes as a result will be provided to the Committee on 23 June 2010, when final approval for the draft 2010/11 Plan will be sought.

Contact Officer: *Ian Clements, Portfolio Manager, CCOs*

Supporting Information

1) Strategic Fit / Strategic Outcome

The projects proposed will contribute to the following Council outcomes:
More Liveable – Wellington will be a great place to be, offering a variety of places to live, work and play within a high quality environment.
Stronger sense of place – Wellington will have a strong local identity that celebrates and protects its sense of place, capital-city status, distinctive landform and landmarks, defining features, history, heritage buildings, places and spaces.
More Eventful – Wellington will maximise the economic value from promoting and hosting high-profile events.
More Prosperous – Wellington’s urban form, and flexible approach to land use planning in the central city, will contribute to economic growth and prosperity.

2) LTCCP/Annual Plan reference and long term financial impact

C378 Wellington Waterfront Project; A312 Wellington Waterfront Operations; CX131 Wellington Waterfront Development.

3) Treaty of Waitangi considerations

Maori have had a long connection with the harbour and waterfront that continues today. There are several sites of significance for iwi around the waterfront including Waitangi Lagoon and Te Aro Pa.

4) Decision-Making

This is not a significant decision. The report deals with a strategic asset, but does not propose any changes to the Waterfront Framework, the guiding policy for waterfront development.

5) Consultation

a) General Consultation

Consultation has been undertaken previously in the development of the Waterfront Framework, and annually thereafter on each annual Waterfront Development Plan. The draft 2010/11 Plan will be consulted on in April / May before reporting back to Council in June.

b) Consultation with Maori

Representatives from Council’s mana whenua Treaty partners – Wellington Tenth Trust and Te Rūnanga o Toa Rangatira were involved in the development of the Wellington Waterfront Framework that identifies the Taranaki Street Wharf lagoon as the best place for a landing site and shelter for the waka of the local mana whenua.

6) Legal Implications

There are no implications from this report.

7) Consistency with existing policy

This report is consistent with existing WCC policy on waterfront development.