
WATERFRONT REVIEW

1. Purpose of Report

To consider a request from the Wellington Waterfront Limited Board (WWL) to review the options for the implementation of the Waterfront Project.

2. Executive Summary

The WWL Board has asked Council to consider a review of the options for the company going forward in light of the impact of the global financial crisis. WWL is operating in an uncertain environment that has led to a reduced workload and a concern that the current structure is unsustainable. This obviously has an impact on the existing staff as well as the company's ability to retain and recruit staff. A review will provide a recommended option for future implementation of the waterfront project and it may be possible to make cost savings (depending on which option is chosen). The review will be completed by April and will include a revised work plan for the Waterfront Project.

The Board also suggested a review of the Framework would be timely. The Framework is 10 years old and there are a number of issues that need resolution. Officers will report back in February with advice on the details of the review including scope, cost, approach and timing. This report back will include the best option for dealing with Variation 11 while the review takes place. The projects that are already committed to, and therefore will need to continue through the review process will be reflected in the draft work plan which will come to Council for approval in March 2011.

3. Recommendations

Officers recommend that the Council

1. *Receive the information.*
2. *Note that the Board of Wellington Waterfront Limited has recommended that the company be reviewed in light of the impact of the global financial crisis on its work plan.*
3. *Agree that officers conduct a review of the options for the implementation of the Wellington Waterfront Project*

4. *Agree that the review report will include a revised Waterfront Development Plan outlining the proposed programme of work for the waterfront for the remainder of 2010/11 and for 2011/12.*
5. *Note that the options to be explored will range from the status quo through to operating inside Wellington City Council.*
6. *Note that the review will include consultation with Wellington Waterfront Limited staff.*
7. *Note that the results of this review including a recommended option will be brought to the Strategy and Policy Committee in early February 2011. This will be followed by public consultation with a final report to be considered by the Strategy and Policy Committee and Council in April 2011.*
8. *Agree that it is timely to review the Wellington Waterfront Framework*
9. *Request Officers to provide advice to Strategy and Policy Committee /Council on options for the review of the Framework including scope, approach, cost and timing, in March 2011. This advice will also include options for Variation 11.*

4. Background

Since 2001 Wellington Waterfront Limited has been the implementation agency for WCC in developing the waterfront in accordance with the Wellington Waterfront Framework (Framework). The potential for impact of the global financial crisis on the Waterfront, and in turn on WWL, was evident in early 2008 and as a result the WWL Board recommended to Council (and this was agreed to) that the company be de-scaled to suit the market. This saw staff reduce from 15 to 7, the Board contracted from 8 to 5 and some activities were outsourced including management of events and Waitangi Park moving to WCC. This also led to operating costs reducing from \$1.65m to \$1.2m pa.

Following on from this, in December 2008, the reduced workload for the company saw Council decide the following:

“Agree that the implementation of the Waterfront Project be transferred to and undertaken by Council from 1 July 2010

Note that prior to transferring functions the Council will review whether the market conditions warrant reconsideration of the preferred implementation option”

In September 2009, the Council, upon receiving advice from WWL of an increased workload (a significant number of interim uses for sites and other projects) decided that:

“The Wellington Waterfront project should continue to be managed by WWL, that funding be allocated from 2010/11 onwards to reflect WWL’s continuation and that this decision be reviewed in time for the 2012/22 LTCCP”

5. Discussion

5.1 WWL Board View

The previous Chair, Michael Cashin, approached the WCC CEO and the Mayor shortly after the election to provide an early indication that the impact of the global financial crisis had continued to impact the waterfront and that the Board believed that a further resizing of the company was required. The Board were asked to provide WCC with advice on the appropriate way forward. Sadly the Chairman died leading to a short delay however this advice has now been received. The WWL Board met with the Council’s Chief Executive on 22 November 2010 to discuss the way forward.

The Board advised that there has been some recent renewed interest in some of the commercial development sites. However based on previous experience and the time horizons required to bring the cash flows in, to in turn fund the public space projects, the Board believe that it would not be prudent to rely on meaningful cash flows in the next two years.

The Board believe that the work plan moving forward will see the completion of the Wharewaka and the surrounding public space by Feb 2011, building of the Kumutoto Toilets, the finalising of the design for Frank Kitts Park (so that the Chinese Garden Community have a definitive plan upon which to base their fundraising on), presentation to Council of the results from the Queens Wharf Master planning exercise and preparation for the redevelopment of the OPT. Discussions with parties interested in Sites 8, 9 and 10 will continue to see if there is a reasonable prospect that one or more of the proposals may come to fruition. The requirement to manage all the day to day operational needs continues, encompassing property management, facilities management, including overseeing re-piling of wharves, tenants, Motor Home Park, weekly market, car parks etc.

The Board concluded that the appropriate way forward was to ask the Council to review the options for the delivery of the Waterfront Project ranging from the status quo to downsizing and moving its operations “in-house” within the City Council itself. The Board requested that the review be conducted by council officers, in conjunction with the Board, and that the staff of WWL be consulted in the early stages of the process.

The Council’s Chief Executive agreed that a review was required and that he would make a recommendation to the Council to that effect.

The Board also suggested that consideration be given to undertaking a review of the Framework due to the current difficulties with ground floor public space. Officers believe there are a number of other issues that would benefit from

resolution through a review of the framework and this is covered later in this report.

5.2 Scope of Review

Officers recommend, consistent with best practice, that a wide range of options should be explored. The options will include the status quo, any workable versions of the status quo, a separate business unit within Council where all activities are transferred in and versions of this including full integration into Council (i.e. no separate business unit). All options will need to be worked up in detail including structures, costs, savings and advantages/disadvantages. For options other than the status quo, consideration will be given to any transitional management requirements. It should be noted that all options will include retention of the WWL Company to hold the land on trust for the Council which ensures that the foreshore and seabed areas of the waterfront are retained wholly as part of the project.

The current governance arrangements in the Framework also include the requirement for ongoing monitoring of the Waterfront so consideration will also be given to how that function would operate (currently done by the Technical Advisory Group (TAG)) would operate under all the options.

As there needs to be some certainty on the work plan that the agency (in whatever form it ends up) should deliver, the review report will include a draft Waterfront Development Plan that will be appropriate to the external and Council financial environment.

5.3 Timing and Consultation

The review process will have two parts, prior to a decision being made in approximately April 2011:

- Part One -From 16 December 2010 to early February 2011; the review will be conducted and WWL staff and TAG will be consulted.
- Part Two – From early February to April 2011; Report to SPC with a recommended Draft Waterfront Development Plan for the remainder of 10/11 and for 11/12. This document will outline the expected work-plan for the Waterfront project for the next 18 months together with the financial implications and the recommended governance/implementation option. This will go out for public consultation for 4 weeks, public submissions will be called for in the usual way and oral hearings will be held.

Officers will report to SPC and Council in April with a final report reflecting any public feedback for a final decision on the Waterfront governance arrangements.

Any further stages will depend on what option is chosen but options other than the status quo are likely to require a 3 month transition management period.

5.4 Current Issues with the Framework

The Framework is Council's policy for what the development of the waterfront. The Framework was adopted by Council in April 2001. The Framework is 10 years old and, not unexpectedly, there are a number of issues that have arisen over this time and some remain unresolved. These are outlined below.

5.4.1 Planning and Regulatory Issues

There continues to be concerns about the planning and regulatory environment ranging from potential developers of buildings being unable to reliably predict the timing and/or outcome of the planning process to interest groups and individuals who believe that many of the district plan proposals contained Variation 11 are inappropriate. These issues are not new with 2 appeals to the Environment Court in recent times, one successful (Outer T-Hilton) and one not (Overseas Passenger Terminal). Variation 11 has been appealed and Council is currently in mediation to try to resolve the appellants' concerns. The outcome of this appeal process is uncertain but without certainty in the district plan there is a high prospect that appeals to the Environment Court will continue every time a building is attempted. Whilst the approach in Variation 11 is consistent with what was outlined in the Framework, because of the opposition to the variation it hasn't yet produced the outcome desired which was certainty for all, developers and the public, regarding new buildings on this part of the Waterfront.

Before commencing the Framework review, the Council will need to consider how best to deal with Variation 11 whilst the review is conducted. One option may be to seek that the appeals are not progressed while the Framework review is completed. One of the outcomes of the review will include the recommended planning regime for the waterfront. The process paper in February 2011 will cover this in more detail and provide advice to Council on the best option.

5.4.2 Ground Floor Public Space

One of the principles in the Framework is "Ground floors of buildings will be predominantly accessible to the public". This principle has been difficult to implement and has had varying degrees of success. In some areas e.g. Kumutoto it has been very successful, supporting activity in the surrounding buildings and increasing activity in the public spaces. However in Queens Wharf, Chaffers Dock and part of the NZX building (the former Odmins building) there are real difficulties in finding tenants or the tenants are struggling to operate viable businesses. This in turn has led to very low levels of activity making the environment unattractive due to empty premises and this has negatively impacted the quality of the adjacent public space. It may be that the principle needs to be revisited or in light of the current environment the implementation of this principle may need to change.

5.4.3 New Buildings

Despite the Framework being accepted by 73% of Wellingtonians at the time of the Framework being adopted by Council, there is still a consistent level of

objection (albeit a minority) to buildings on the Waterfront. This ranges from some who believe *some* buildings are acceptable to some who believe *no* buildings are acceptable. This manifests itself in a number of ways from dissatisfaction with the Waterfront itself, WWL, and Council which is regularly expressed in the media, submissions to WCC etc, through to objections to resource consents and appeals to Environment Court.

5.4.4 Financial Issues

The current Framework was predicated on a balance of ratepayer funding and commercial proceeds. The ratepayer contribution was capped at \$15m. As Council is aware, this was reviewed in 2007 when Council agreed to a short term advance of \$14.95 m. Over the last 10 years there have been significant changes to the costs and revenue upon which the original estimates were based. Further, given the current and future financial and economic outlook, the Waterfront Project is unlikely to receive sufficient revenue to fund the costs of operating the waterfront, let alone sufficient funds for further public space development. The 10 year outlook needs to be re-looked at, along with Council's other priorities and this situation will be even more significant if the Council was to decide that there should be less reliance on revenue from sale of ground leases for new buildings.

5.4.5 Connections With the City

Whilst the waterfront is a defined area, the connection to the rest of the city continues to be very important and this fact is included in the Framework document. With the passage of time there has been significant work done since the Framework was written on varying aspects of the connections. For example the Jan Ghel report that focused on the connection across the Quays, Wellington 2040 project, developments at Centreport and plans to upgrade Clyde Quay Harbour. The review of the Framework needs to incorporate examining the opportunities to improve all of these connections.

5.4.6 Governance Arrangements

As explained earlier in this report the current implementation agency arrangement needs to be reviewed. The final outcome of this review should be incorporated in to the reviewed Framework.

5.5 Approach to the Review of the Framework

The review should be conducted using high quality public engagement processes and this could include a mini or reduced version of the 2000-2001 Leadership Group process.

The original Framework was produced in 10 months which was achieved through giving the project very high priority to ensure pace and access to resources (the Framework project was Council's response to 3000 Wellingtonians meeting in the Town Hall to voice their opposition to Variation 17 – the then Council's plan for the development of the Waterfront. It was budgeted to cost \$200k excluding the internal resources allocated to it (which

was 5 staff / 3FTE's). The actual cost can't be accurately established however it is recalled to have been over budget.

Officers will provide advice to Council in March 2011 on recommended scope, approach, costs and timing of the review. Indicative estimates are that a review is likely to take at least 9-12 months and cost \$400k-\$500k including the cost of internal resources. The cost of internal resources has been included as any internal staff would need to be back filled as the work is not included in the current LTCCP. Whilst a review is likely to be less costly than producing the original Framework, the necessary public engagement processes will be expensive and extensive expert assistance will be required. In the current financial environment this will need to be funded either as a new initiative in the 2011/12 annual plan or by deferring or cutting another project. (It is noted that the Waterfront project has a current under spend for consultancy because of the current reduced workload, and this may be able to fund the review in part).

5.6 Transitional issues

Whilst the review process will reconsider what Wellingtonians want from their Waterfront it is appropriate that no significant new projects be committed to. However the Waterfront Project has been in progress for the last 10 years and can't be entirely stopped. There are some projects that have varying degrees of commitments that will need to be seen through. For example, the OPT is committed to, there is an option to engage in initial designs and options for Site 10, there is a commitment to the NZ Police to explore options for a small building on the service Jetty (ex Eastbourne Ferry Wharf) and some minor projects such as the completion of the kina sculpture and the building of the Kumutoto toilets. If the Site 10 and Police Buildings develop to the next stage they will be brought to Council for approval and if approved will be subject to a notified resource consent process (assuming that Variation 11 has not progressed.) The amended Waterfront Development plan for 10/11 and 11/12 that will be presented to Council in February 2011 will reflect these 'committed to' projects.

5.7 Consultation and Engagement

The advice above incorporates appropriate consultation and engagement processes.

5.8 Financial Considerations

The WWL review would be funded from within existing resources. The financial implications of the outcome of the review will be included in the review report back. If any of the options other than the status quo are chosen, there are likely to be cost savings for council from 2011/12 onwards.

The Framework review would require in the order of \$400k to \$500k. The March 2011 report back will include options for funding this review.

5.9 Long-Term Council Community Plan Considerations

The results of the WWL review will be incorporated in to the final 2011/12 Annual Plan. The draft annual plan will need to reflect the cost of the Framework review and the final annual plan will reflect the impact of the final Waterfront Development Plan.

Once the review of the Framework is completed, the financial implications will be included in the 2012/22 LTCCP.

6. Conclusion

This report has outlined the case for reviewing both the Waterfront Company and the Wellington Waterfront Framework. Both have been operating successfully for 10 years however as the Waterfront has developed, the economic and financial climate has changed for the City and the Council and the impact on the Waterfront is such that these two reviews are needed.

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Supporting Information

1) Strategic Fit / Strategic Outcome

The Waterfront contributes 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.

The outcome of review of WWL will impact A312. The review of the Waterfront Framework is likely to cost \$400K to \$500K which is currently unbudgeted. The outcome of the review could significantly impact all 3 annual plan projects.

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 asset.

5) Consultation

a) General Consultation

Consultation will be undertaken as part of both reviews proposed. All affected parties will be included, and any feedback will be reported to SPC/Council.

b) Consultation with Maori

Representatives from Council's mana whenua Treaty partners – Wellington Tenth's Trust and Te Rūnanga o Toa Rangatira were involved in the development of the Wellington Waterfront Framework. They will be included in agreement of the Framework.

6) Legal Implications

There are no implications from this report. However Council's lawyers will be consulted during whichever review is chosen.

7) Consistency with existing policy

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