



Whangarei
District Council



ORUKU

LANDING

**CONFERENCE
& MULTI-EVENTS
CENTRE**

CONSULTATION

**PROPOSED AMENDMENT TO THE
LONG TERM PLAN 2021-31**



Whangārei has been offered funding from central government to build a conference and multi-event facility on the waterfront. Council are now seeking your feedback on whether you'd like this project to go ahead.

There's a lot to weigh up – a new facility will boost our economy by creating jobs in construction and will bring ongoing employment opportunities. New community facilities can also bring us together, attract more people to our District, generate fun, and bring new and bigger events to Whangārei.

While there are benefits, there will also be a financial cost to ratepayers. We're now asking our community to weigh up the pros and cons and let us know what you think.

www.wdc.govt.nz/HaveYourSay



KEY DATES

Open for feedback:

18 October-18 November 2021

Proposed adoption of the Long Term Plan (LTP) 2021-31 Amendment:

21 December 2021

Have your say events*

Cafler Suite, Forum North

Tuesday 9 November, 6:30pm

Ruakākā Recreation Centre

Monday 8 November, 7pm

Hikurangi Memorial Hall

Thursday 11 November, 6:30pm

*Meetings will shift online in Alert Level 3 or higher. Check www.wdc.govt.nz/HaveYourSay for dates and times.



KEEN TO FIND OUT MORE?

The supporting information contains the relevant areas of the LTP 2021-31 that may be amended following consultation. For more details, please refer to the Financial Strategy, Infrastructure Strategy and financial statements on our website.

www.wdc.govt.nz/HaveYourSay



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THE STORY SO FAR

ORUKU CONFERENCE AND MULTI-EVENTS CENTRE

Whangārei has been offered \$60 million from central government to help develop a conference and multi-events centre on Riverside Drive, next to the Hātea River.

Catering for functions, events and performances, the centre would be able to host approximately 1,000 people standing, 750 seated and 650 for banquet seating.

Called Oruku Landing, the project was originally intended to be privately owned. When completed it was to be run by a trust. A hotel, apartments and carparking building are to be the private sector's responsibility.

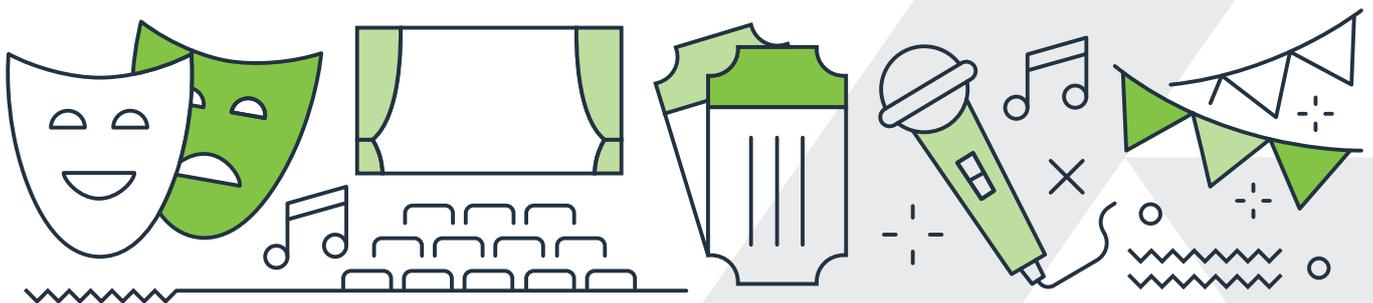
Our Council's input was to be about \$23m in infrastructure (roads, wastewater, paths) to enable the project to go ahead. However, the Government required Whangarei District Council and Northland Regional Council (NRC) to take full responsibility for any additional costs. NRC did not agree to that and we are not in a position to provide an unlimited ratepayer underwrite of a private project. Subsequently, we proposed that Council buys the land, take ownership of the construction and build the conference and multi-events centre as a community-owned asset.

The proposal put forward in Council's 2021-31 Long Term Plan in March 2021 relied on \$60m from government and \$14m from NRC to fund the overall estimated \$97m project cost.

NRC subsequently decided to reduce their contribution to \$6m, which in May 2021 saw the proposal withdrawn from our Council's Long Term Plan 2021-31.

When undertaking further due diligence on the project, Council identified that the costs could be higher than the original estimate.

After more investigations and conversations with government, NRC and the developers, we are now asking whether you would like Council to pick up this project (now estimated to cost \$123m), increase our investment up to \$57m, and run with it on your behalf.



NOW



APARTMENTS AND CARPARKING BUILDING

Possible future build by private sector

HOTEL



Possible future build by private sector



CONFERENCE AND MULTI-EVENTS CENTRE

Proposed Council-owned and run asset

PROPOSED



TIMELINE

THEN

2013

MARCH

Council sells whole site to Golden Kiwi Holdings Ltd for hotel use only for \$1.9m plus GST.

Developers complete Hātea Loop walkway link, sea wall upgrade and 25 carparks.

2014

Council explores several sites for a hotel, including Riverside Drive and Dent Street hill.

2019

Northern Development Corporation (NDC), a private company, proposes development for the site.

NDC receives \$1.3m funding from Provincial Growth Fund for feasibility study.

2020

APRIL

NDC applies to Government's Shovel-Ready COVID-19 Stimulus Fund for funding.

AUGUST

Council agrees to fund, build and own the public infrastructure parts of the project (approximately \$22.85m) if other funding comes through.

OCTOBER

Government offers to contribute \$60m, if Council puts in \$23m and Northland Regional Council (NRC) puts in \$14m funding.

Some conditions are difficult to meet without owning the site and managing the development.

DECEMBER

Council investigates taking on the project at an overall budgeted cost of \$23m, then resolves to take over the project with the centre being built as a Council asset and operated by a Community Trust, subject to public consultation through the Long Term Plan (LTP) process. Taking on ownership would require Council to underwrite any losses and buy back 1/3 of the site for an estimated cost of \$10m.

2021

MARCH

Council includes \$23m for the infrastructure only in its LTP consultation, expecting \$14m to come from NRC.

The project receives support during LTP consultation with 212 submissions in favour.

MAY

Council removes the project from its LTP when NRC allocates only \$6m to the project (as it no longer met the conditions of the existing agreement).

JUNE-JULY

Council carries out further due diligence and identifies significant additional costs, and commits to public consultation on the project.

\$1m of Council and \$1m of Government funding allocated to progress investigations.

SEPTEMBER

The latest available cost estimates (which we have included in this proposal) are \$123m, although we are still trying to find ways to bring this cost down. Council would need to contribute up to \$57m.

OCTOBER -NOVEMBER

We are now seeking public feedback on plans to take the project over and invest up to \$57m in the Oruku Landing Conference and Multi-Events Centre. Consultation is open from 18 October to 18 November.

On 26 November Council will consider the feedback and will make a decision on whether the project should go ahead. If Council chooses to move forward, the Government's funding deadline of 30 November will be met and the project will be re-instated into the LTP 2021-31 as a Long Term Plan Amendment.

NOW



WHERE WE ARE TODAY

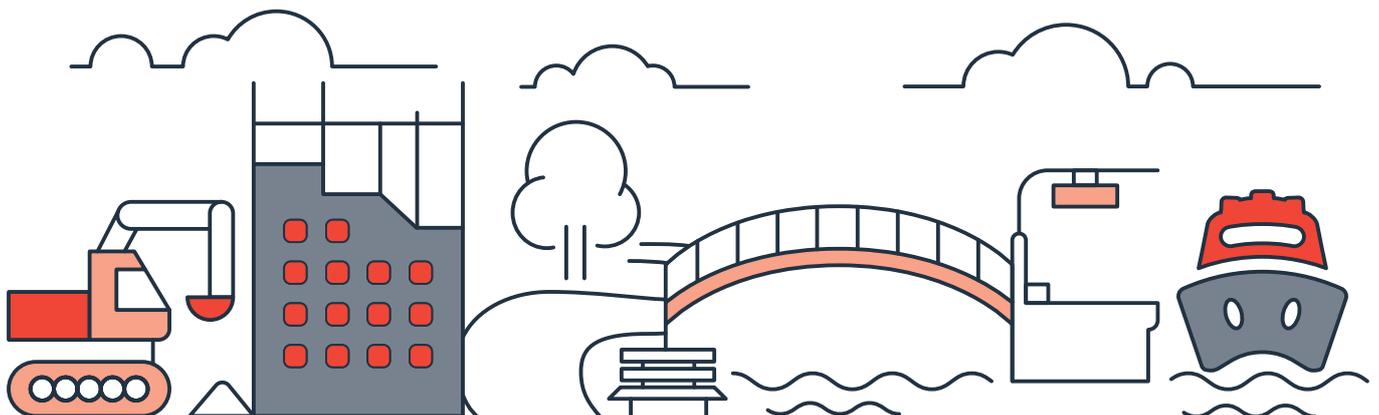
We have now reassessed the project, its costs, management, and ownership and are asking you if you would like us to increase our investment up to \$57m and take on the entire conference and multi-events centre project including:

- buying the land
- developing the conference and multi-events centre, including a plaza, services, utilities, landscaping and geotechnical work
- building the Oruku Boardwalk along the front of the site
- possibly building a ferry terminal*
- building an opening pedestrian and cycling bridge from Oruku Landing on to Hihiaua Peninsula
- Upgrading infrastructure to facilitate the project including:
 - wastewater upgrade
 - Punga Grove intersection upgrade
 - pathways

If that goes ahead, Council (you, the ratepayer) would own these assets and a Council Controlled Organisation will run the centre.



Council would not be funding a hotel, apartments or a carparking building – these would be the private sector's responsibility.



WHAT WILL IT COST?

The build could cost Whangārei ratepayers and residents up to \$57m, which would be funded by debt. This is based on the information we have currently; we are continuing to try to reduce costs.

If the centre is built, there will be annual operating expenses of \$5m (currently set for years 5-10 of this LTP).

Covering the cost of the debt (interest costs), the ongoing expenses of the building (things like depreciation, insurance and external maintenance) and debt repayment could result in a further district-wide general rates rise of up to 6% in 2022-23. This would be in addition to the 4.5% increase we have already committed to in our 2021-31 LTP. This could mean a total proposed rates increase in 2022-23 of up to 10.5% should the project go ahead.

How much will each component cost?

	Oruku conference and multi-events centre	\$80m
	Riverside-Punga Grove intersection upgrade	\$1.5m
	Riverside-Pohe Island wastewater upgrade	\$800k
	Oruku boardwalk, seawall, plaza, path upgrades	\$8.3m
	Oruku ferry terminal*	\$2.6m
	Oruku to Town Basin Hātea Bridge (shared path)	\$20m
	Land cost	\$10m
	Total Oruku Landing Capex costs	\$123.2m

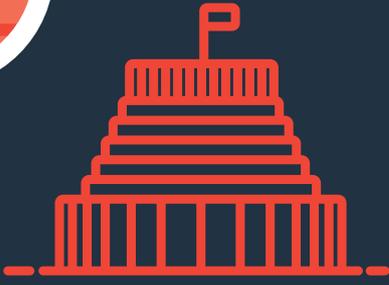
* The components listed here are all part of the Government funding application; however we are continuing to explore ways to reduce the overall cost of the project. If required, we will look to remove the less material parts of the project, such as the ferry terminal.



INTER-GENERATIONAL EQUITY

We borrow money to pay for significant assets that last for many years. If long-term assets were paid for solely from the rates collected in the year they were built, today's ratepayers would be paying the entire cost of assets that our future ratepayers would use in the years ahead.

The way around this is to use debt to fund assets, which allows us to share the assets' costs between current and future users. That way, all the people using an asset end up paying for it over its lifetime. Spreading of costs over multiple years is known as 'inter-generational equity' and is standard practice throughout the local government sector.



To meet the requirements of the Government's \$60m offer, Council needs to accept or decline the government funding by 30 November 2021. To meet this deadline, we are seeking public feedback on the project using the information we have right now.

Following consultation, Council will review and deliberate on community submissions on 26 November to decide whether or not to continue with the project.

Council will continue to look at other funding or cost recovery options for the project, as well as ways to reduce the cost of the project. Council will also consider whether removal of individual components could bring the cost down but will need central government agreement to proceed with this.

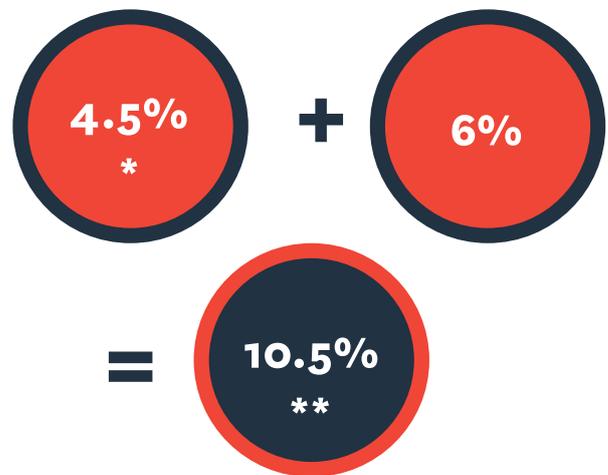


If additional funding or cost savings can be found, we will decrease the proposed rates increase accordingly should the project go ahead.

WHAT WILL HAPPEN TO MY RATES?

If Council proceeds with the Oruku Landing Conference and Multi-Events Centre, this could mean a total proposed rates increase in 2022-23 of up to 10.5%. This is made up of 6% to fund the facility and includes the 4.5% general rates increase already set in our Long Term Plan 2021-31. For every future year of this Long Term Plan the projected rates increase is 4.5%.

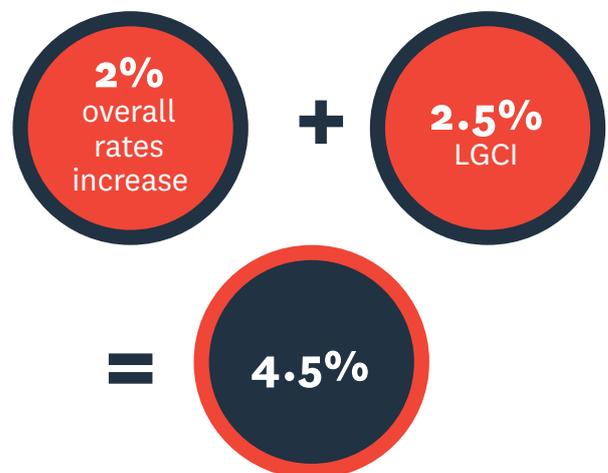
For 2022-23 (year 2 of the LTP 2021-31) this would look like:



* made up of 2% overall rates increase and 2.5% inflation (Local Government Cost Index - LGCI) – as set out in the LTP 2021-31

** 10.5% for Whangārei's average residential property.

For years 3 to 10 of the LTP 2021-31:



NOTE: Council's budgeted rates revenue is increased each year to reflect the natural growth in the rating database, i.e as our population grows. This growth component is not included in the above.



RESIDENTIAL

property in urban area with a land value of

\$291,000

Actual 2021-22 rates Proposed 2022-23 rates

\$2,276 \$2,460

That's an increase of

\$3.59
per week



LIFESTYLE

property with a land value of

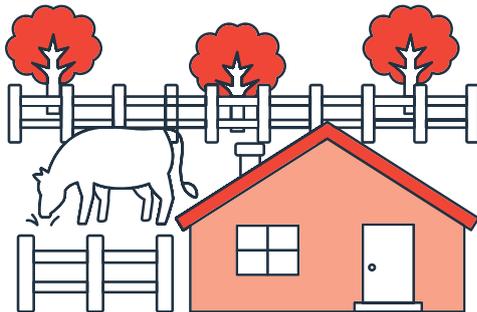
\$570,000

Actual 2021-22 rates Proposed 2022-23 rates

\$2,191 \$2,411

That's an increase of

\$4.28
per week



RURAL

property with a land value of

\$2,570,000

Actual 2021-22 rates Proposed 2022-23 rates

\$9,130 \$10,042

That's an increase of

\$17.60
per week



COMMERCIAL

property with a land value of

\$496,000

Actual 2021-22 rates Proposed 2022-23 rates

\$9,508 \$10,430

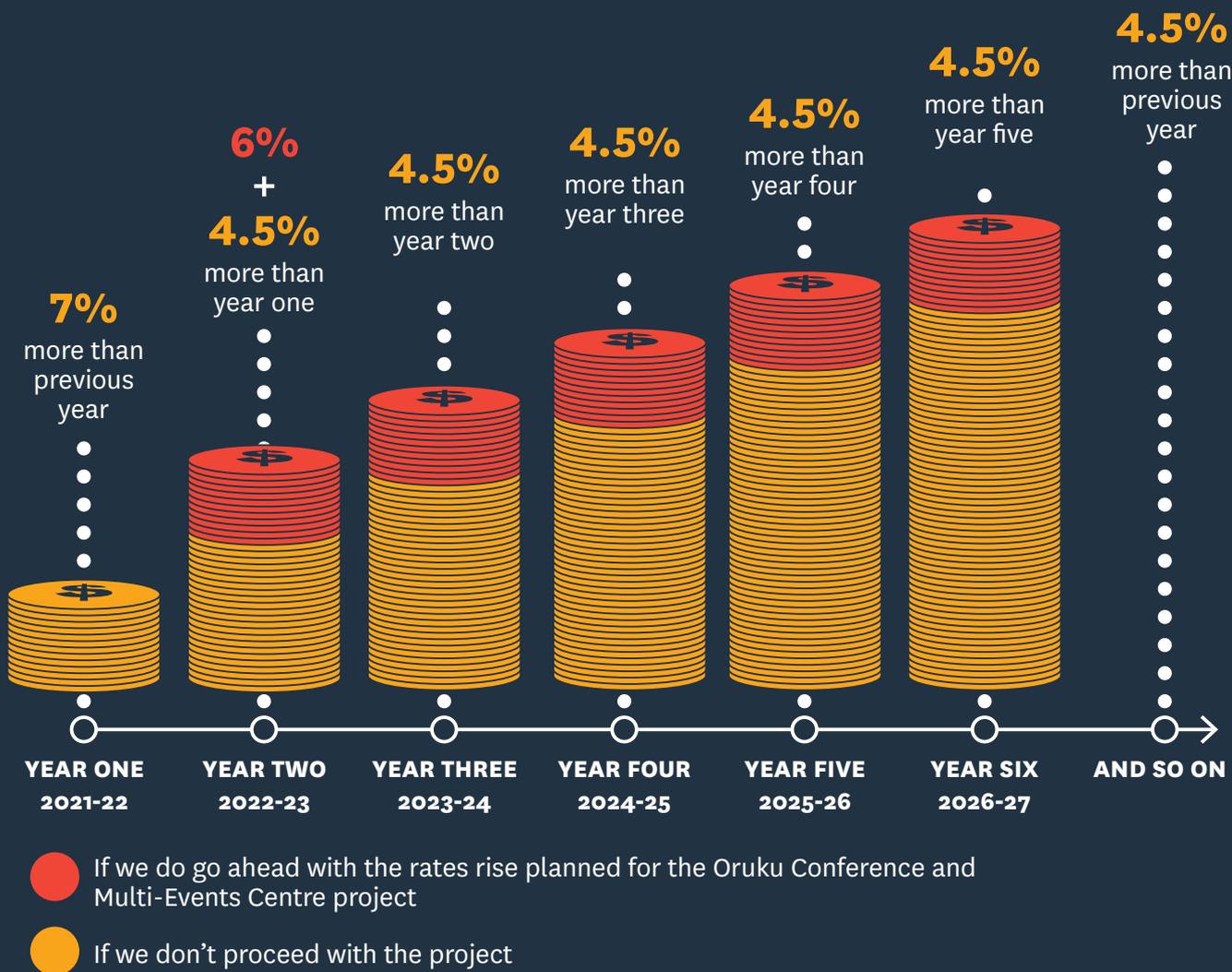
That's an increase of

\$17.78
per week

The above are randomly selected samples of properties from our District. Road seal extension rates, water rates and flood protection rates are not included. Sewerage rates are included in residential and commercial sample properties.

HOW RATES INCREASES WORK

Rates could be increased by 10.5% in 2022-23 (6% for Oruku Landing and 4.5% as outlined in our current LTP). While the 6% for Oruku is a 'one-off increase', the amount of this increase is then included in your rates every year after that.



WHY ARE WE LOOKING AT THIS NOW?

The \$60m offer from the Government will expire on 30 November 2021. We must decide before then whether we want to proceed with this project on behalf of our community.

We are asking you to weigh up the benefits and risks of undertaking this project in the current environment and let us know what you think.





PRIVATE HOTEL

CONFERENCE AND
MULTI-EVENTS CENTRE

PLAZA

BOARDWALK



WHY IS MORE MONEY NEEDED THAN IN THE LONG TERM PLAN 2021-31 CONSULTATION?

Council has now completed more detailed planning and investigation into the project, which has provided a more rigorous cost estimate than the one provided previously. This has shown the project is more likely to cost up to \$123m rather than the \$97m figure quoted in our March 2021 LTP consultation.

After the Government’s \$60m funding offer, \$6m from NRC, and our original proposal of \$23m, this would leave a \$34m shortfall in the funding for the build.

If Council were to cover this construction shortfall, this could take our contribution up to \$57m. There will also be annual operating costs throughout the life of the centre.

Engineering work so far has highlighted potential cost savings. We are continuing to investigate these possibilities.

OWNERSHIP

To invest a sum of this size, we would expect to own the land and the asset being built, and to manage the build. We have experience in funding and building multi-million dollar projects, and have the resources to ensure the job is done to all the standards required, with the correct financial oversight and processes to ensure requirements are met and that ratepayer investment is protected.

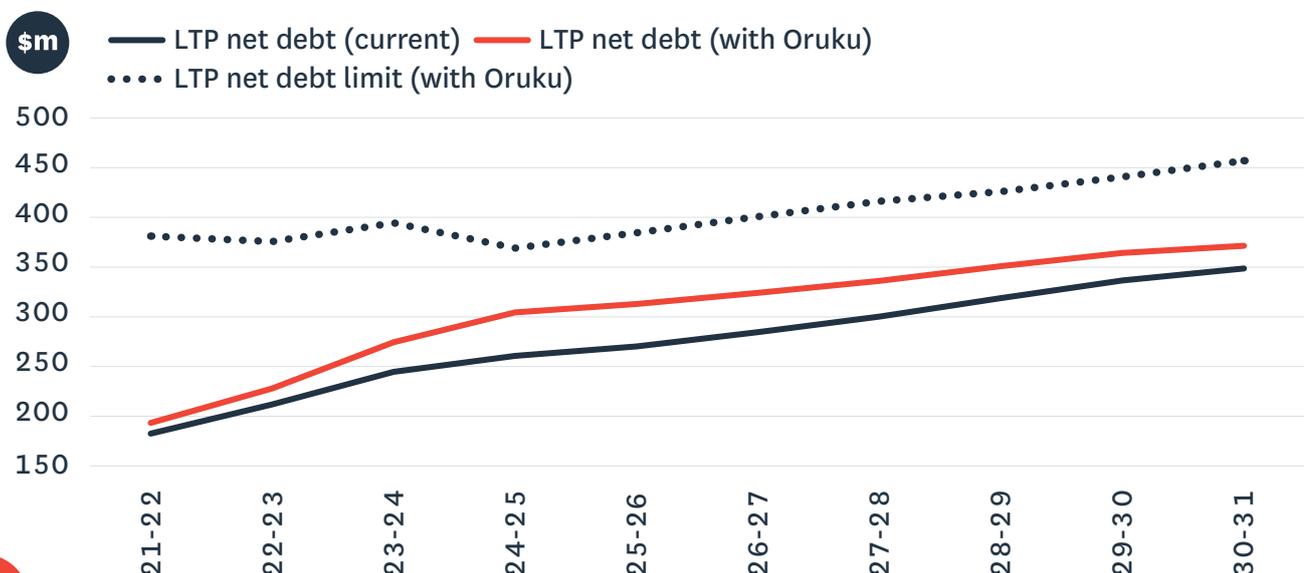
Ongoing management

If built, we are proposing that the Oruku Landing Conference and Multi-Events Centre be run by a Council Controlled Organisation.

A Council Controlled Organisation is an organisation that Council can appoint at least 50 percent of the directors or hold at least 50 percent of the voting rights.

LEVEL OF DEBT

Moving ahead with the project will mean Council’s debt levels will increase. The graph below shows the impact of this over our 10-year LTP period, compared to our planned debt in the 2021-31 LTP. With this additional debt, we will continue to operate within our current debt limits and parameters, however this will result in higher financing costs (interest on our debt).





THINGS TO THINK ABOUT

There are opportunities and risks for this project. Here's an overview of some things to think about when considering whether you'd like to see it go ahead.

OPPORTUNITIES

Creates a destination facility with high quality public spaces on the northern side of the Hatea Loop to link with ongoing investment at Pohe Island and the Town Basin

Provides a large modern facility to host a wide range of conferences and events for residents and visitors, which may bring significant social, cultural and economic benefits

Facility could support Whangarei and Northland's business sectors, as events can create mid-week demand and help with seasonality issues

Whangārei has been trying hard to attract a 4-star hotel to bring economic benefits and support more and bigger events

Investment of \$33.2m in infrastructure – including intersection works, stormwater and wastewater, boardwalk and bridge

A moving bridge between the Town Basin and Oruku Landing will improve connections to the central city area and give more options to Hatea Loop users

RISKS

Location some distance from central CBD
The proposal is dependant on Council securing the purchase of the land

Potential to compete with, as well as complement, other facilities including the Hihiaua Cultural Centre, Northland Events Centre, and in future, a redeveloped Forum North theatre

A 4-star hotel accommodation is planned next door but its construction is not guaranteed

Limited on-site carparking would require shuttle services or people to walk from existing car parks for conferences and events

Another bridge across the Hatea River will impact larger vessels, may impact marina operations and may cause loss of some moorings

OPPORTUNITIES

One-off \$60m funding offer from Government
- without this, the project could not proceed

\$6m from Northland Regional Council
(funded through their rates)

Potential cost reductions from detailed
design changes

RISKS

At this stage government only allows for two options for Council to consider: accept the \$60m and invest up to \$57m of Council money; or decline the funding and revise the scope of the project, which would require reaching a new agreement with Government and potentially another public consultation once revised costs are known. Due to the Government's funding agreement deadline of 30 November, we are not in a position to revise the costs or scope of the project now. Refer to the timeline on pages 6-7.

Up to \$57m contribution from ratepayers through debt to be paid for through rates rise (see page 10) plus ongoing operational costs

Council will need to underwrite the Council Controlled Organisation running the centre for any losses

Taking on additional debt could reduce Council's credit rating, resulting in increased finance costs

Projected employment of 175 full-time and 78 part-time equivalent jobs during the build and 58 full-time equivalent jobs through operations when complete



Council is asking if the ratepayers and residents of the District support raising up to \$57 million through borrowing, to ensure the project goes ahead.

If ratepayers support the project, it could bring Council's (the ratepayers) total investment in the project up to \$57m. Council (ratepayers) would own the property, Council would manage the build and cover the ongoing costs of depreciation and maintenance.



AUDIT OPINION

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Whangarei District Council's Consultation Document

Independent Auditor's Report on the proposed amendment of the 2021-31 long-term plan

I am the Auditor-General's appointed auditor for the Whangarei District Council (the Council). The Local Government Act 2002 (the Act) requires the Council to prepare a consultation document for an amendment of a long-term plan. Section 93D of the Act sets out the content requirements of such a consultation document and requires an audit report thereon. I have audited the information in the consultation document for the proposed amendment of the 2021-31 long-term plan (the plan), using the staff and resources of Audit New Zealand. We completed our audit on 14 October 2021.

OPINION

In our opinion:

- the information in the consultation document for the proposed amendment of the plan provides an effective basis for public participation in the Council's decisions about the proposed amendment, because it:
 - fairly represents the reasons for and implications of the proposed amendment of the plan; and
 - identifies and explains the main issues and choices facing the Council and the district, related to the proposed amendment of the plan; and
- the information and assumptions underlying the information in the consultation document related to the proposed amendment of the plan are reasonable.

BASIS OF OPINION

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the consultation document related to the proposed amendment of the plan. To select appropriate audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the proposed amendment of the plan.

We did not evaluate the security and controls over the publication of the consultation document related to the proposed amendment of the plan.

RESPONSIBILITIES OF THE COUNCIL AND AUDITOR

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document related to the proposed amendment of the plan whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document related to the proposed amendment of the plan that meet the purposes set out in the Local Government Act 2002 (the Act); and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

We are responsible for reporting on the consultation document related to the proposed amendment of the plan, as required by section 93D of the Act. We do not express an opinion on the merits of any policy content of the consultation document.

INDEPENDENCE AND QUALITY CONTROL

We have complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than our work in carrying out all legally required external audits, we have no relationship with

or interests in the Council or any of its subsidiaries.



Carl Wessels

Audit New Zealand

On behalf of the Auditor-General

Auckland

New Zealand

ORUKU LANDING CONFERENCE AND MULTI-EVENTS CENTRE CONSULTATION FEEDBACK FORM

THE CLOSING DATE FOR FEEDBACK IS 18 NOVEMBER 2021

POINTS TO REMEMBER WHEN SUBMITTING YOUR FEEDBACK

- Please print clearly. Make sure it can be easily photocopied, read and understood.
- All feedback is considered public under the Local Government Official Information and Meetings Act, so it may be published and made available to elected members and the public.
- Your feedback will not be returned to you once lodged with Council. Please keep a copy for your reference.

HOW TO GET THIS FORM TO US

Email to: mailroom@wdc.govt.nz

Mail to: Oruku Landing Conference and Multi-Events Centre feedback, Whangarei District Council, Private Bag 9023, Whangārei 0148

Deliver to: Customer Services, Forum North, Rust Ave, Whangārei or Ruakākā Service Centre, Takutai Place, Ruakākā

YOUR DETAILS

Name

I am making this submission as: An individual On behalf of an organisation

Organisation name

Postal address

Best number to contact you on

Email

YOUR FEEDBACK

Do you support Council raising up to \$57m through borrowing to ensure the Oruku Landing Conference and Multi-Events Centre goes ahead?

If ratepayers support the project, it could bring Council's total investment in the project up to \$57m. Council would own the property, manage the build and cover the ongoing costs of maintaining and insuring the facilities.

The centre would be operated by a Council Controlled Organisation. Council will need to underwrite any losses.

Please choose one of the options outlined below.

- OPTION 1:** Spend up to \$57m* investing in the Oruku Landing Conference and Multi-Events Centre with Council owning the property, managing the build and covering the ongoing costs of depreciation and maintenance, debt, debt repayment and underwriting any losses.

This would require a general rates increase of up to 10.5% in 2022-23 (6% higher than the rates increase in the current LTP 2021-31).

***REVISED COSTINGS AS AT 4 NOVEMBER 2021**

Following the receipt of updated costings in November 2021, the projected Council spend for the project at current scope has been revised to up to \$70m. For further information on new costings please refer to Council's website: www.wdc.govt.nz/HaveYourSay

- OPTION 2:** Council does not proceed any further with the Oruku Landing Conference and Multi-Events Centre project.

DO YOU HAVE ANY FURTHER COMMENTS ON THIS ISSUE?
