

FNDC ADMIN

31 AUG 2016



Please Quote File: REG.005667.01, ACT.113442
NVAN:SQUA

Te Kaunihera a rohe o Te Tai Tokerau

29 August 2016

Private Bag 9021
36 Water Street
WHANGĀREI 0148
New Zealand

Far North District Council
Private Bag 752
Kaikohe 0440

Phone: 09 470 1200
Freephone: 0800 002 004
Environmental Hotline:
0800 504 639
Fax: 09 470 1202
Email: mailroom@nrc.govt.nz

Dear Sir/Madam

www.nrc.govt.nz

**MONITORING REPORT FOR COASTAL PERMIT: RUSSELL WHARF - RUSSELL,
BAY OF ISLANDS**

A compliance inspection of the structure authorised by your resource consent was undertaken by an officer of the Northland Regional Council on 15 August 2016.

At the time of the inspection the structure appeared in good condition and was complying with the conditions of the resource consent.

Note: This is a resource consent compliance report. This report is not an engineer's report as to the structural integrity of the structure.

Please contact me if you wish to discuss this further.

Yours faithfully

Neels van Tonder
Environmental Monitoring Officer

A870870

DARGAVILLE 0310
61B Victoria Street
Phone: 09 439 3300
Fax: 09 439 3301

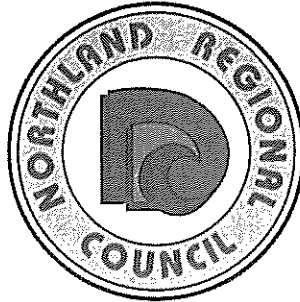
KAITĀIA 0410
192 Commerce Street
Phone: 09 408 6600
Fax: 09 408 6601

ŌPUA 0200
Unit 10, Industrial Marine Park
Phone: 09 402 7516
Fax: 09 402 7510

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www.facebook.com/NorthlandRegionalCouncil





Resource Consent

Pursuant to the Resource Management Act 1991, the Northland Regional Council (hereinafter called "the Council") does hereby grant a Resource Consent to:

FAR NORTH DISTRICT COUNCIL, PRIVATE BAG 752, KAIKOHE 0440

FAR-NORTH HOLDINGS LIMITED, PO BOX 7, OPUA 0244

To place, use and occupy space in the coastal marina area, with a floating pontoon and gangway at the north western head of the Russell Wharf, Bay of Islands, or about location co-ordinates 1701885E 6097325N.

Note: All location co-ordinates in this document refer to Geodetic Datum 2000, New Zealand Transverse Mercator Projection.

Subject to the following conditions:

- 1 This consent applies only to the floating pontoon and gangway identified on NRC Plan No. 4261 attached.
- 2 The Consent Holder shall mark the pontoon with the number 5667 in black lettering on a white background displayed in such a manner as to be clearly visible from the land.
- 3 The Consent Holder shall exercise this consent in a manner which ensures that the quality of the receiving waters, at any point 10 metres from the pontoon, always meets the following standard as a result of the exercise of this consent:

Standard	Contact Recreation Standard CB
Natural visual clarity	Not reduced more than 20%.
Natural hue	Not changed more than 10 Munsell units.
Oil/grease film, scum, foam, odour	No conspicuous oil or grease film, scums or foams, floatable or suspended materials, or emissions of objectionable odour.
Concentration of dissolved oxygen	Not reduced below 80% saturation.
Natural temperature	Not changed by more than 3°C.

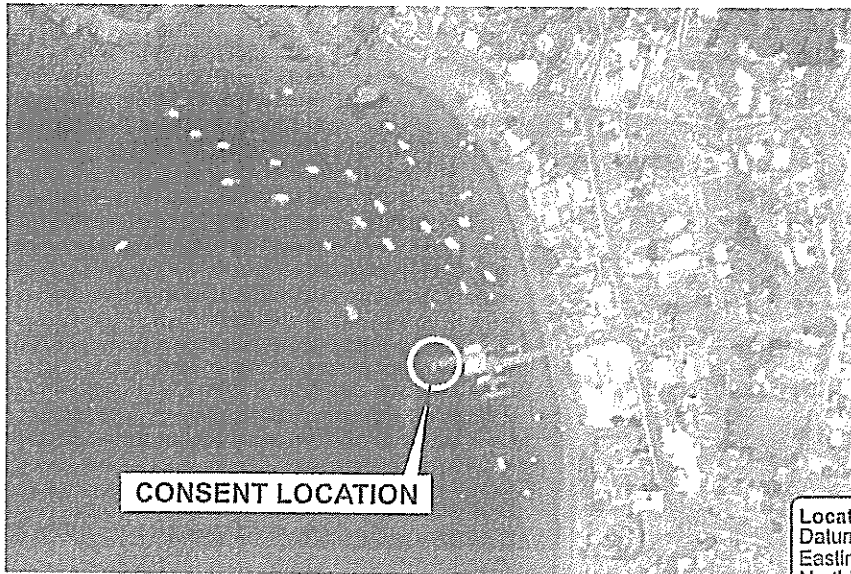
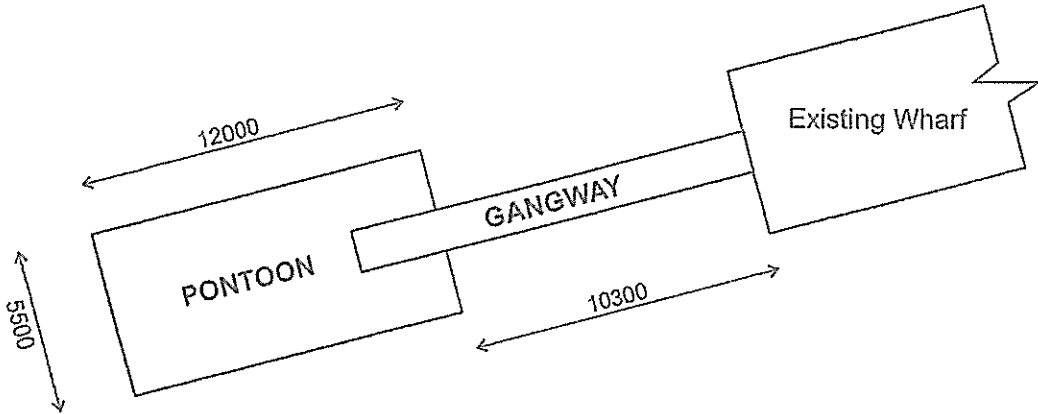
- 4 Boat maintenance that is likely to cause contaminants to enter the coastal marine area shall not be carried out at the pontoon (e.g. removal or application of paint or antifouling, activities involving grease or oil).

- 5 No discharge of wastes (e.g. sewage, oil, contaminated bilge water) shall occur from any vessel whilst using the pontoon or from any other activity carried out at the pontoon by the Consent Holder.
- 6 The Consent Holder shall keep the coastal marine area free of debris resulting from the Consent Holder's activities.
- 7 The Consent Holder shall maintain the structures covered by this consent in good order and repair.
- 8 The Consent Holder shall, for the purposes of adequately monitoring the consent as required under Section 35 of the Act, on becoming aware of any contaminant associated with the Consent Holder's operations escaping otherwise than in conformity with this consent:
- (a) Immediately take such action, or execute such work as may be necessary, to stop and/or contain such escape; and
 - (b) Immediately notify the Council by telephone of an escape of contaminant; and
 - (c) Take all reasonable steps to remedy or mitigate any adverse effects on the environment resulting from the escape; and
 - (d) Report to the Council in writing within one week on the cause of the escape of the contaminant and the steps taken or being taken to effectively control or prevent such escape.
- 9 The Council may, in accordance with Section 128 of the Resource Management Act 1991, serve notice on the Consent Holder of its intention to review the conditions of this consent annually during the month of June. The review may be initiated for any one or more of the following purposes:
- (a) To deal with any adverse effects on the environment that may arise from the exercise of the consent and which it is appropriate to deal with at a later stage, or to deal with any such effects following assessment of the results of the monitoring of the consent and/or as a result of the Regional Council's monitoring of the state of the environment in the area.
 - (b) To deal with any material inaccuracies that may in future be found in the information made available with the application. (Notice may be served at any time for this reason.)
- The Consent Holder shall meet all reasonable costs of any such review.
- 10 Prior to the expiry, cancellation, or lapsing of this consent the Consent Holder shall remove all structures and other materials and refuse associated with this consent from the consent area and shall restore the consent area to the satisfaction of the Council, unless an application for a replacement consent has been properly made beforehand.

EXPIRY DATE: 31 MARCH 2041

ISSUED at Whangarei this Third Day of February 2009

TRANSFERRED TO: FAR NORTH DISTRICT COUNCIL
TRANSFERRED ON: 24 January 2012



CONSENT LOCATION

Location Co-ordinates:
Datum: NZTM
Easting: 1701885
Northing: 6097325

**NORTHLAND
REGIONAL
COUNCIL** 

RESOURCE CONSENT CON20050566707

for
Far North Holdings Ltd
Pontoon & Gangway - Russell Wharf
Bay of Islands

Scale: N.T.S.

Drawn: CNA 12/08

App'd: *Chris Rintoul* 12/08

Plan No.

4261



MEMO

To: Andy Finch **Department:** IAM

CC: Jim Brooks **Department:** IAM

From: Gordon Dellar **Department:** IAM

Date: 22 March 2018

Subject: Russell Wharf Front Pontoon

Andy,

I am in the process of raising a PO for the Russell Wharf Front Pontoon.

The Funds available are as follows:

141376.1.1.4917	Russell Maritime	\$90,361.00
141376.1.1.4922	Russell Maritime	<u>\$336,100.00</u>
	Total available	\$426,461.00
Contract value including contingency		\$427,978.01
Budget shortfall		\$1,517.01

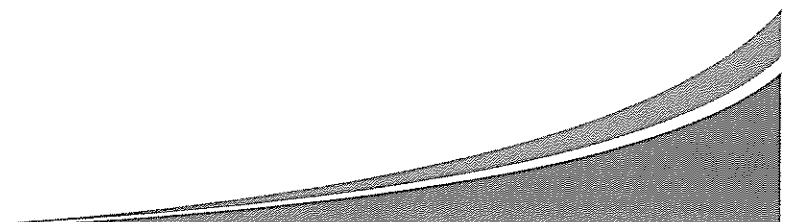
Please can your approve an increase to code 141376.1.1.4917 by the shortfall amount?

Gordon Dellar

Asset Manager – Facilities, IAM

Andy Finch

General Manager, IAM



Carla Ditchfield-Hunia

From: Kathryn Ross
Sent: Wednesday, 10 January 2018 9:17 a.m.
To: 'Andy Nock'; Chris Galbraith
Cc: Samantha Edmonds; Beverly Mitchell
Subject: FW: RUSSELL WHARF & Council's Equity Investment

Separately Andy I thought you may also find the media reports around the partnership and redevelopment useful. Some may predate your time at FNHL.
Kath

http://www.nzherald.co.nz/northern-advocate/news/article.cfm?c_id=1503450&objectid=11639544
http://www.nzherald.co.nz/northern-advocate/news/article.cfm?c_id=1503450&objectid=11657782
http://www.nzherald.co.nz/northern-advocate/news/article.cfm?c_id=1503450&objectid=11094742
http://www.nzherald.co.nz/northern-advocate/news/article.cfm?c_id=1503450&objectid=11049636

There was also a Mayoral column
Extract below:

Thursday 18 September 2014

Partnerships produces results

Most councils try to keep rates down by reducing operating costs and finding smarter ways to do business, but an often overlooked area where Councils can ease pressure on ratepayers is by developing partnerships with communities.

The principle has never been more clearly demonstrated than at Russell where the local community worked with the Council to improve the township's wharf facilities. In 2011, the upgrade of the 53-year-old wharf was seen as a 'nice to have' but unaffordable project until the business community stepped up to the plate. The Council of the day was prepared to spend \$95,000 repairing the commercial pier and passenger ferry terminal, but wasn't willing to spend \$267,000 on improvements to the southern pier unless the Russell community contributed \$100,000 to project costs within 2 years. The Russell Business Association regarded the wharf as a vital transport link for the thousands of people who visit Russell each year so formed a trust to raise the community's share of project costs. Raising \$100,000 was no easy task but through some innovative fund-raising initiatives and a huge level of community commitment and enthusiasm the trust achieved its goal.

This kind of community commitment and the willingness of the people of Russell to work in partnership with the Council is heart-warming and worthy of sincere congratulations, particularly given the somewhat uneasy relationship which had historically existed between this community and the Council. The project not only improved a vital piece of infrastructure for the people of Russell, it also helped to build bridges and restore channels of communication with the Council. It is this kind of partnership arrangement we are trying to encourage in other towns seeking heated swimming pools. These "nice to have" projects are unlikely to get off the drawing board in the current economic climate without community buy-in and support. While it would be easy to say let's get on with it irrespective of the cost, we have a duty of care not to burden current and future generations with unaffordable levels of public debt, particularly when there is a huge list of basic infrastructure in need of urgent attention. I urge all communities to take a leaf from Russell's book and to look for innovative ways to fund amenities that make our towns better places to live in and visit.



Kathryn Ross

General Manager - Strategic Planning & Policy

Strategic Planning & Policy, Far North District Council | 24-hour Contact Centre 0800 920 029

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Website | Facebook | LinkedIn | Careers

From: Kathryn Ross

Sent: Wednesday, 10 January 2018 9:13 a.m.

To: 'Andy Nock'

Cc: Chris Galbraith; Samantha Edmonds; Shaun Clarke; Beverly Mitchell; Huia Arahanga-Doyle; Sheryl Gavin; Andy Finch

Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Andy

If David Penny is still with you he probably has all of the backstory to hand (or more correctly to mind) as he signed the agreement with the Waterfront Trust (Attached) as a previous GM of IAM at Council.

The 2012 agreement stemmed from a partnership to repair and redevelop the wharf as Council was only prepared to do minimal work and the Russell Business Association offered to contribute initially \$80k, then \$100k and set up the Waterfront Trust as the vehicle to enter the partnership and raise the money and complete other community projects. The pictures of what the wharf looked like back then are pretty sorry. The concern at the time was that having put community funds into the wharf they did not want to "fund private business operations to increase that business asset to sell and gain a profit. Thus if the wharf is sold within a ten year period the monies paid by the community will be repaid in full. These monies will then be spent on an alternative community project."

The wording in the agreement is not so explicit; referring to any transfer or sale.

The Trust is still registered.

The Waterfront Trust has made an early submission to our LTP. I've attached it as it was discussed at the public meeting in Russell in Oct. They have used the dollar figures supplied by FNHL in their requests for improvements and renewals.

I agree with you that the Trust is unlikely to have the means to maintain, renew and improve the wharf themselves and therefore a conversation with them about the proposal to transfer/sell the wharf to FNHL now is appropriate. Given their relationship with you and your mutual objectives they are likely to be amenable but I have not as yet tested this. Terry Greening has been heavily involved with all community matters in Russell and led the October community meeting last year. It would be appropriate for him to be aware (and involved if he wants to be) as the agreement also provides for the Community Board liaison with the Trust. It would also be appropriate for our IAM team to be involved; as you say it is a key piece of infrastructure.

If discussion were unsuccessful, I note you would not continue with your plans if you did not own the wharf. I'm sure you've considered whether a perpetual or long term lease would allow you the security to raise loans but if not a discussion around new lease terms could occur. I think from memory your lease expires in 2021. This obviously does not have the advantages for Council in terms of ongoing maintenance, repair etc funding liabilities.

I will await your response before sending anything to

Kath



Kathryn Ross

General Manager - Strategic Planning & Policy

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Website | Facebook | LinkedIn | Careers

From: Andy Nock [<mailto:Andyn@fnhl.co.nz>]

Sent: Tuesday, 9 January 2018 7:55 p.m.

To: Kathryn Ross

Cc: Chris Galbraith; Samantha Edmonds; Shaun Clarke
Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Kathryn,

You asked the question "what if FNHL did not seek ownership of the structure". If we do not go down this route we cannot invest, as we have done at Paihia, in improving the commercial tourism component ie the i-site, café and associated infrastructure.

We would simply manage, rather than improve, the existing asset as we do not have the requisite tenure to secure the necessary funding.

Cheers,

Andy

Andy Nock

Chief Executive
Far North Holdings Limited
PO Box 7
Opuia 0241
Ph: 094025659
Mob: 027 567 8111
Email: andyn@fnhl.co.nz

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From: Andy Nock

Sent: Tuesday, 9 January 2018 7:43 p.m.

To: 'Kathryn Ross' <Kathryn.Ross@fndc.govt.nz>

Cc: 'Samantha Edmonds' <Samantha.Edmonds@fndc.govt.nz>; Shaun Clarke <Shaun.Clarke@fndc.govt.nz>; Chris Galbraith <Chris@fnhl.co.nz>

Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Kathryn,

First question; I simply cannot understand any logical reason behind why such an offer was made by FNDC to a Trust for a key piece of regional infrastructure.

Why did FNDC give first right of refusal to a Trust? We all know Trusts come and go and have very little financial substance.

Should the Trust buy: they can't maintain the structure, FNHL cannot cater for Cruise line tenders, FNHL cannot redevelop the i-site and café as planned, there are potential fuel supply implications, the list is endless.

Furthermore, why do FNDC need to repay the Trust. If the Trust have the same rights, as with FNDC, should FNHL take ownership the obligations remain unchanged and FNDC have no liability?

I would like to understand the rationale behind the above before speaking with the Trust, what obligations have FNDC imposed on them should they buy etc

Do you have a copy of the contract/resolution that commits FNDC

We would then be in a position to speak with the Trust and answer the above with more clarity and certainty.

Regards,

Andy

Andy Nock

Chief Executive
Far North Holdings Limited
PO Box 7
Opua 0241
Ph: 094025659
Mob: 027 567 8111
Email: andyn@fnhl.co.nz

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From: Kathryn Ross [<mailto:Kathryn.Ross@fndc.govt.nz>]

Sent: Tuesday, 9 January 2018 4:17 p.m.

To: Chris Galbraith <Chris@fnhl.co.nz>; Andy Nock <Andyn@fnhl.co.nz>

Cc: Kylie Cox <Kylie@fnhl.co.nz>; Samantha Edmonds <Samantha.Edmonds@fndc.govt.nz>; Beverly Mitchell <Beverly.Mitchell@fndc.govt.nz>; Huia Arahanga-Doyle <Huia.Arahanga-Doyle@fndc.govt.nz>

Subject: RUSSELL WHARF & Council's Equity Investment

Hi Chris and Andy

As per my phone messages, here is a quick update on things at our end for the consultation on the equity investment in FNHL and the Russell Wharf (following my email last week).

We are going to start our consultation on the Equity investment on Monday (ads will start going in papers from Saturday). The draft statement of proposal and the feedback form (which requires a couple of minor tweaks) are attached so you have them before they go live this weekend/Monday. We will also send them to Top Energy.

The other document attached is the very draft wording for our consultation document for the LTP on the issue of the Russell Wharf sale. I know you will be aware, but if Council does decide to sell the wharf, we have to give first option to purchase to the Waterfront Trust at market rates. In addition we have to repay the \$100,000 community contribution to the wharf upgrade some years ago to them.

I know when the wharf was transferred from you to us its market value was \$125k and I am clarifying with finance what the latest valuation was and also what if any money has been collected for depreciating the asset that is over and above the amount needed to carry out the works on the pontoon, bridge etc planned for this financial year. I will also approach _____ as the Chair of the Trust to see if they have any appetite to purchase. I suspect they might be interested in having their \$100,000 back but I have never discussed with them whether they would want to purchase the wharf. All previous discussions seem to indicate that they are really happy working with FNHL (acting on our behalf) although of course they have some grand plans.

In the draft CD we proposing to make the transfer to you for \$1 without a cash transfer. The transfer could cost us \$224,999 (including the \$100,000 to the Trust and we have not provided for this in our draft budgets which were set before we broke for Xmas and are the ones we need to send to Audit). Of course I'd expect that you will want to discuss the transfer of the \$125,000 with council further and suggest that it would be good process for you to make a

submission to this effect if the transfer of cash (or rather the lack of it) is a deal breaker (as per my query to you last week).

You may also be concerned that in requesting the transfer to yourselves, that the Waterfront Trust could actually end up being the owners of the wharf (you probably have a better handle on the likelihood of this than I do). In light of these matters (potential for waterfront trust to own, potential for no cash to be transferred to you etc.) you might have a different view of whether the transfer request and a council decision to transfer the asset is truly desirable. We are going to Audit next week (advance copies of information are being shared this week). If you decided that you didn't want to go down this path we can pick up this position through the consultation process. At a pinch we might be able to remove it from the Consultation process and Consultation Document if we knew next week at the latest when Audit was here.

Sam is the Acting CEO this week, and is fully apprised of all matters if you want to talk urgently to her or myself. Look forward to hearing from you soon.

Kath



Kathryn Ross

General Manager - Strategic Planning & Policy

Strategic Planning & Policy, Far North District Council | 24-hour Contact Centre 0800 920 029

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Address. Memorial Avenue, Private Bag 752, Kaikohe 0440, New Zealand

Please consider the environment before printing this email.

Carla Ditchfield-Hunia

From: Kathryn Ross
Sent: Friday, 2 February 2018 1:29 p.m.
To: 'Andy Nock'; Chris Galbraith; Andy Finch
Cc: Kirsty Farrow; Sheryl Gavin; Gayle Andersen; Terry Greening; Shaun Clarke; Nicole Wooster; Samantha Edmonds; Beverly Mitchell
Subject: RE: RUSSELL WHARF

Hi Andy's and Chris

I had a call from yesterday about the Russell Wharf. It appears the Russell community are genuinely excited the potential for strategic development of the wharf and surrounds. Given the current agreement with Council, asked whether we (FNHL and Council) would be prepared to catch up on what a new or refreshed relationship agreement might look like if the transfer takes place and how the Trust could be involved to attract funding for development and in master planning. has already had a chat to Terry. I therefore suggest that we try and schedule a meet for when Terry returns with the Trust and key council and FNHL staff and include this as part of our LTP engagement programme with the Russell community.

I will ask Gayle to try and co-ordinate some times (and work in with Sheryl and her team around good LTP dates).

Kath



Kathryn Ross

General Manager - Strategic Planning & Policy

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From: Kathryn Ross
Sent: Wednesday, 10 January 2018 11:01 p.m.
To: 'Andy Nock'
Cc: Andy Finch; Kirsty Farrow; Sheryl Gavin; Gayle Andersen
Subject: RE: RUSSELL WHARF & Council's Equity Investment

Thanks Andy good news. Attached is the trust's submission. Happy to discuss but we probably need Andy Finch or the asset manager Gordon Dellar there to discuss. Will find out if there is any \$ collected for depreciation over and above the anticipated renewal work planned for this year.

If you want to propose some times to get together, Gayle and Kirsty and co-ordinate next week.

Cheers

Kath



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[Website](#) | [Facebook](#) | [LinkedIn](#) | [Careers](#)

From: Andy Nock [<mailto:Andyn@fnhl.co.nz>]
Sent: Wednesday, 10 January 2018 5:17 p.m.
To: Kathryn Ross
Cc: Samantha Edmonds; Chris Galbraith; Shaun Clarke; Beverly Mitchell
Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Kathryn,

Met with

They are more than happy to work with FNHL, as the Trust has done these past few years.

They do not see our proposal as a transfer or sale of the Wharf, as defined in the agreement, and agree the refund of capital will not be triggered by a transfer to FNHL.

They view FNHL as an FNDC entity and the agreement as worded was to protect against a sale of the wharf to a third party.

The Trust did wish to understand how future capital work may or may not be affected by the transfer, as they have applied to the LTP, and this we will need to discuss.

Cheers,

Andy



Carla Ditchfield-Hunia

From: Kathryn Ross
Sent: Wednesday, 10 January 2018 11:01 p.m.
To: 'Andy Nock'
Cc: Andy Finch; Kirsty Farrow; Sheryl Gavin; Gayle Andersen
Subject: RE: RUSSELL WHARF & Council's Equity Investment
Attachments: FW Long Term Plan Submission - Russell Wharf and Waterfront Trust.msg

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Cheers,

Andy

Andy Nock
Chief Executive
Far North Holdings Limited
PO Box 7
Opua 0241
Ph: 094025659
Mob: 027 567 8111
Email: andyn@fnhl.co.nz

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From: Kathryn Ross [mailto:Kathryn.Ross@fndc.govt.nz]
Sent: Wednesday, 10 January 2018 10:08 a.m.
To: Andy Nock <Andyn@fnhl.co.nz>
Cc: Samantha Edmonds <Samantha.Edmonds@fndc.govt.nz>; Chris Galbraith <Chris@fnhl.co.nz>; Shaun Clarke <Shaun.Clarke@fndc.govt.nz>; Beverly Mitchell <Beverly.Mitchell@fndc.govt.nz>
Subject: RE: RUSSELL WHARF & Council's Equity Investment
That would be a great outcome.

Thank you Kath



Kathryn Ross

General Manager - Strategic Planning & Policy

Strategic Planning & Policy, Far North District Council | 24-hour Contact Centre 0800 920 029

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From: Andy Nock [<mailto:Andyn@fnhl.co.nz>]

Sent: Wednesday, 10 January 2018 10:07 a.m.

To: Kathryn Ross

Cc: Samantha Edmonds; Chris Galbraith; Shaun Clarke; Beverly Mitchell

Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Kathryn,

Thanks for the background documentation.

I will speak with [redacted] but I would argue a transfer to FNHL does not trigger a return of the \$100,000 to the Trust from FNDC, as Council own FNHL so it effectively still retains ownership, albeit indirectly.

Will update you after we meet.

Cheers,

Andy

Andy Nock

Chief Executive

Far North Holdings Limited

PO Box 7

Opuā 0241

Ph: 094025659

Mob: 027 567 8111

Email: andyn@fnhl.co.nz

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From: Kathryn Ross [<mailto:Kathryn.Ross@fndc.govt.nz>]

Sent: Wednesday, 10 January 2018 9:13 a.m.

To: Andy Nock <Andyn@fnhl.co.nz>

Cc: Chris Galbraith <Chris@fnhl.co.nz>; Samantha Edmonds <Samantha.Edmonds@fndc.govt.nz>; Shaun Clarke <Shaun.Clarke@fndc.govt.nz>; Beverly Mitchell <Beverly.Mitchell@fndc.govt.nz>; Huia Arahanga-Doyle <Huia.Arahanga-Doyle@fndc.govt.nz>; Sheryl Gavin <Sheryl.Gavin@fndc.govt.nz>; Andy Finch <Andrew.FINCH@fndc.govt.nz>

Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Andy

If David Penny is still with you he probably has all of the backstory to hand (or more correctly to mind) as he signed the agreement with the Waterfront Trust (Attached) as a previous GM of IAM at Council.

The 2012 agreement stemmed from a partnership to repair and redevelop the wharf as Council was only prepared to do minimal work and the Russell Business Association offered to contribute initially \$80k, then \$100k and set up the Waterfront Trust as the vehicle to enter the partnership and raise the money and complete other community projects. The pictures of what the wharf looked like back then are pretty sorry. The concern at the time was that having put community funds into the wharf they did not want to "fund private business operations to increase that business asset to sell and gain a profit. Thus if the wharf is sold within a ten year period the monies paid by the community will be repaid in full. These monies will then be spent on an alternative community project."

The wording in the agreement is not so explicit; referring to any transfer or sale.

The Trust is still registered.

The Waterfront Trust has made an early submission to our LTP. I've attached it as it was discussed at the public meeting in Russell in Oct. They have used the dollar figures supplied by FNHL in their requests for improvements and renewals.

I agree with you that the Trust is unlikely to have the means to maintain, renew and improve the wharf themselves and therefore a conversation with them about the proposal to transfer/sell the wharf to FNHL now is appropriate. Given their relationship with you and your mutual objectives they are likely to be amenable but I have not as yet tested this. Terry Greening has been heavily involved with all community matters in Russell and led the October community meeting last year. It would be appropriate for him to be aware (and involved if he wants to be) as the agreement also provides for the Community Board liaison with the Trust. It would also be appropriate for our IAM team to be involved; as you say it is a key piece of infrastructure.

If discussion were unsuccessful, I note you would not continue with your plans if you did not own the wharf. I'm sure you've considered whether a perpetual or long term lease would allow you the security to raise loans but if not a discussion around new lease terms could occur. I think from memory your lease expires in 2021. This obviously does not have the advantages for Council in terms of ongoing maintenance, repair etc funding liabilities.

I will await your response before sending anything to Riki.

Kath



Kathryn Ross

General Manager - Strategic Planning & Policy

Strategic Planning & Policy, Far North District Council | 24-hour Contact Centre 0800 920 029

ddi +6494015765 | m 027 807-0364 | Kathryn.Ross@fnhc.govt.nz

Website | Facebook | LinkedIn | Careers

From: Andy Nock [<mailto:Andyn@fnhl.co.nz>]

Sent: Tuesday, 9 January 2018 7:55 p.m.

To: Kathryn Ross

Cc: Chris Galbraith; Samantha Edmonds; Shaun Clarke

Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Kathryn,

You asked the question "what if FNHL did not seek ownership of the structure". If we do not go down this route we cannot invest, as we have done at Paihia, in improving the commercial tourism component ie the i-site, café and associated infrastructure.

We would simply manage, rather than improve, the existing asset as we do not have the requisite tenure to secure the necessary funding.

Cheers,

Andy

Andy Nock

Chief Executive

Far North Holdings Limited

PO Box 7

Opuā 0241

Ph: 094025659

Mob: 027 567 8111

Email: andyn@fnhl.co.nz

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From: Andy Nock

Sent: Tuesday, 9 January 2018 7:43 p.m.

To: 'Kathryn Ross' <Kathryn.Ross@fnhc.govt.nz>

Cc: 'Samantha Edmonds' <Samantha.Edmonds@fnhc.govt.nz>; Shaun Clarke <Shaun.Clarke@fnhc.govt.nz>; Chris Galbraith <Chris@fnhl.co.nz>

Subject: RE: RUSSELL WHARF & Council's Equity Investment

Hi Kathryn,

First question; I simply cannot understand any logical reason behind why such an offer was made by FNDC to a Trust for a key piece of regional infrastructure.

Why did FNDC give first right of refusal to a Trust? We all know Trusts come and go and have very little financial substance.

Should the Trust buy: they can't maintain the structure, FNHL cannot cater for Cruise line tenders, FNHL cannot redevelop the i-site and café as planned, there are potential fuel supply implications, the list is endless.

Furthermore, why do FNDC need to repay the Trust. If the Trust have the same rights, as with FNDC, should FNHL take ownership the obligations remain unchanged and FNDC have no liability?

I would like to understand the rationale behind the above before speaking with the Trust, what obligations have FNDC imposed on them should they buy etc

Do you have a copy of the contract/resolution that commits FNDC

We would then be in a position to speak with the Trust and answer the above with more clarity and certainty.

Regards,

Andy

Andy Nock
Chief Executive
Far North Holdings Limited
PO Box 7
Opua 0241
Ph: 094025659
Mob: 027 567 8111
Email: andy@fnhl.co.nz

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From: Kathryn Ross [<mailto:Kathryn.Ross@fndc.govt.nz>]

Sent: Tuesday, 9 January 2018 4:17 p.m.

To: Chris Galbraith <Chris@fnhl.co.nz>; Andy Nock <Andyn@fnhl.co.nz>

Cc: Kylie Cox <Kylie@fnhl.co.nz>; Samantha Edmonds <Samantha.Edmonds@fndc.govt.nz>; Beverly Mitchell <Beverly.Mitchell@fndc.govt.nz>; Huia Arahanga-Doyle <Huia.Arahanga-Doyle@fndc.govt.nz>

Subject: RUSSELL WHARF & Council's Equity Investment

Hi Chris and Andy

As per my phone messages, here is a quick update on things at our end for the consultation on the equity investment in FNHL and the Russell Wharf (following my email last week).

We are going to start our consultation on the Equity investment on Monday (ads will start going in papers from Saturday). The draft statement of proposal and the feedback form (which requires a couple of minor tweaks) are attached so you have them before they go live this weekend/Monday. We will also send them to Top Energy. The other document attached is the very draft wording for our consultation document for the LTP on the issue of the Russell Wharf sale. I know you will be aware, but if Council does decide to sell the wharf, we have to give first option to purchase to the Waterfront Trust at market rates. In addition we have to repay the \$100,000 community contribution to the wharf upgrade some years ago to them.

I know when the wharf was transferred from you to us its market value was \$125k and I am clarifying with finance what the latest valuation was and also what if any money has been collected for depreciating the asset that is over and above the amount needed to carry out the works on the pontoon, bridge etc planned for this financial year. I will also approach [redacted] as the Chair of the Trust to see if they have any appetite to purchase. I suspect they might be interested in having their \$100,000 back but I have never discussed with them whether they would want to purchase the wharf. All previous discussions seem to indicate that they are really happy working with FNHL (acting on our behalf) although of course they have some grand plans.

In the draft CD we proposing to make the transfer to you for \$1 without a cash transfer. The transfer could cost us \$224,999 (including the \$100,000 to the Trust and we have not provided for this in our draft budgets which were set before we broke for Xmas and are the ones we need to send to Audit). Of course I'd expect that you will want to discuss the transfer of the \$125,000 with council further and suggest that it would be good process for you to make a submission to this effect if the transfer of cash (or rather the lack of it) is a deal breaker (as per my query to you last week).

You may also be concerned that in requesting the transfer to yourselves, that the Waterfront Trust could actually end up being the owners of the wharf (you probably have a better handle on the likelihood of this than I do). In light of these matters (potential for waterfront trust to own, potential for no cash to be transferred to you etc.) you might have a different view of whether the transfer request and a council decision to transfer the asset is truly desirable. We are going to Audit next week (advance copies of information are being shared this week). If you decided that you didn't want to go down this path we can pick up this position through the consultation process. At a pinch we might be able to remove it from the Consultation process and Consultation Document if we knew next week at the latest when Audit was here.

Sam is the Acting CEO this week, and is fully apprised of all matters if you want to talk urgently to her or myself. Look forward to hearing from you soon.

Kath



Kathryn Ross

General Manager - Strategic Planning & Policy

Strategic Planning & Policy, Far North District Council | 24-hour Contact Centre 0800 920 029

ddi +6494015765 | m 027 807-0364 | Kathryn.Ross@fndc.govt.nz

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FUNDING AGREEMENT

Between the Far North District Council (the Council) and the Russell Wharf and Waterfront Trust (The Trust).

WHEREAS the Council at its meeting in Kaikohe on Thursday 28 April 2011 resolved:

"THAT the Council under takes maintenance works to the Russell Wharf to the value of \$95,000

AND THAT the Council undertakes the Southern arm upgrade to the Russell Wharf as detailed on the plan "Details for refurbished steel pontoon (option B)" (Document number A752237) funded by a loan of \$267,000, on the condition that \$100,000 is committed in writing by the Russell Community to be paid to the Council over a maximum of 2 years.

AND WHEREAS the Trust has been established as the agent of the Community to provide the \$100,000 contribution.

AND WHEREAS the Trust acknowledges that the Project will be managed by Far North Holdings Limited (FNHL)

IT IS HEREBY AGREED as between the parties as follows:

- 1) THAT the Council will provide the sum of \$100,000 within its budget for the Maintenance work on the Wharf and the Southern Arm upgrade (the Project) to represent the contribution from the Trust, on the basis that this money will be replaced by the Trust on behalf of the Community over the term of the agreement.
- 2) That the Trust will pay to the Council the sum of \$100,000 plus the cost to the Council of financing the provision of the \$100,000 to a maximum of 6% interest over the term of this agreement.
- 3) The term of the agreement shall be 2 years from the date that the work involved in the Project reaches 25% of the work outlined within the agreed Project Plan.
- 4) That the Council will develop, in consultation with the Trust, a Project Plan (the Plan) which will outline the work required in respect of the Project, the estimated costs and budgets, and the anticipated time line in which the work will be carried out, including an end date for the Project. This Plan shall be prepared within one month of the successful tenderer for the work being announced.
This Plan is attached as Appendix A to this agreement.
- 5) The Council shall arrange for the Plan to be published in Russell Lights.
- 6) The Council will provide the Trust with monthly reports, no later than the 19th day of the following month, as to the progress of the Project in terms of the Project Plan, including any risks or issues which may have arisen and the action proposed to be taken to mitigate or address these risks and issues, for the Trust to disseminate to the Community.
- 7) The Council and the Trust shall each appoint a single person as the point of contact for any communications or enquiries, and request FNHL to make a similar appointment. The Bay of Island – Whangaroa Community Board shall also appoint a person to be its point of contact.
- 8) The Council shall, on receiving advice from the Trust that an installment of the Community contribution is ready to be paid, provide the Trust with the appropriate invoice, and on receiving the payment, will provide the appropriate receipt.
- 9) The Council's Communication Manager in conjunction with the Trust shall co-ordinate publicity relating to the project.

- 10) The Council will support any promotion /event organised by the Trust to raise funds for the project either through the appropriate messages or by actual participation.
- 11) The Council will take all appropriate steps to encourage the use of members of the Community in the Project where the members have the necessary level of skill, or are able to provide services to those involved in the work, which have the effect of reducing the overall cost of the project. Any such Community involvement shall be valued and shall form part of the Community contribution to the project. Where possible this will be identified at the commencement of the project.
- 12) If the cost of the Project is determined to be less than that provided for within the Project Plan, the savings made shall be split on a pro rata basis between the Council and the Trust relative to the respective contributions.
- 13) That should the Council resolve to sell, or otherwise to divest itself of the wharf within 10 years of the completion of the project it will refund to the Trust all the money paid by it in respect of the project.
- 14) The Council agrees that if a decision is made to sell or otherwise divest itself of the wharf it will first offer the Trust the option to purchase the facility at the current market value.
- 15) The Trust may if it considers it appropriate act as agent of FNHL in respect of the sale of signage on the wharf and overnight berthage. Such agency, if accepted, shall be on the following terms, and conditions.

Provided that any money remitted to the Council as a result of the Trusts' work in relation to signage and overnight berthage shall reduce the Community Contribution by the corresponding amount.

Signage.

1. Persons wishing to apply for signage on the Russell wharf shall in the first instance apply to the Trust providing details of the size, location and design of the sign.
2. If the Trust approves the proposal the applicant shall then apply for any resource consent that may be required.
3. Once the consent is received the applicant shall supply the sign to the Trust, who shall deliver it to FNHL for erection.
4. Only FNHL is to undertake the placement of signs.
5. The Trust and FNHL shall meet annually to determine the charges or rate for signage, how many signs and in which locations these can be approved.
6. All signage revenue shall be paid to FNHL.
7. FNHL to account to FNDC on an annual basis on revenue received.

Berthage

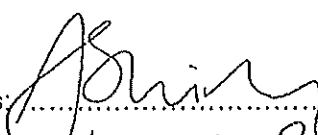
1. The Trust shall be responsible for the collection of all overnight berthage fees.
2. FNHL shall set the berthage rate.
3. The Trust shall maintain lists containing the name of vessels berthing overnight and the fees collected on a daily basis.
4. The List and money shall be forwarded to FNHL on a weekly basis.
5. Wardens shall be appointed and "employed" by the Trust.
6. The Trust and wardens shall be bound by all wharf rules and bylaws as adopted by either FNHL or FNDC.
7. Cruise ship tenders and commercial operators hold an annual licence and any licence issued by FNHL shall take precedence over casual overnight berthage.
8. The Trust and wardens shall meet with FNHL on a monthly basis to discuss any operational issues.
9. Operational control and responsibility for the wharf at all times remains with FNHL and the Trust/wardens are to take instruction from the appointed FNHL manager responsible.
10. The members of the Trust and its wardens shall be subject to the same rules as all other users and no member or warden shall allow their own vessel or those of their

friends or family to berth free of charge. Any warden who abuses this provision will be dismissed.

Signed this day of June 2012

For the Russell Wharf and Waterfront Trust: 

Name: Rola Kennard

Witness: 

Full name: Jayne Shirley

Occupation: Owner - Hotel

Address: 35 The Strand, Russell

For the Far North District Council: 

Name: DAVID PENNY

Witness: 

Full name: Jayne Shirley

Occupation: Owner - Hotel

Address: 35 The Strand, Russell

Carla Ditchfield-Hunia

From: Terry <terry.lizg@kinect.co.nz>
Sent: Monday, 16 October 2017 8:28 p.m.
To: Sheryl Gavin
Subject: FW: Long Term Plan Submission - Russell Wharf and Waterfront Trust

Hi Sheryl,

I know this is quite a comprehensive (and late) submission, but can we have somebody at Wednesday's Russell meeting who can address these topics please?

Thanks,

Terry

From: _____
Sent: Monday, October 16, 2017 1:07 PM
To: Terry Greening
Subject: Long Term Plan Submission - Russell Wharf and Waterfront Trust

Dear community board and members,

It is our pleasure to provide a submission to the FNDC long term plan.

The submission covers the Russell Wharf and surrounding areas of the wharf on behalf of The Russell Wharf and Waterfront Trust. We are a recognised charity in Russell who's objective are to improve the Russell Wharf and Waterfront area and make sure its fit for purpose in the future including a children's playground. we work with the community and the council to achieve this and we have a history of success in this area.

We would like the below to be included in the long term plan. For each program we have a community sponsor to help drive these through and work with the council to achieve the goals and projects.

Russell Wharf and Infrastructure:

- The 3 fingers that are damaged and dangerous need to be replaced with floating concrete pontoons and gangways. The are falling apart. The cost estimate from Far North Holdings (FNH) is \$40k per pontoon or total \$120k. (the look and feel needs to be like the one we worked together on 5 years ago)
- A new Dingy pontoon is needed. The increased demands of the boating community and increased volume of marine tourism means we need a safe and working solution for dingy to park. A new pontoon is estimated to cost \$110k from FNH.
- General painting and repairs. Seven years ago the wharf was painted. Its time to re do this. The cost estimate from FNH is \$30k
- We need a new boat ramp that can cater for the demands of the boating community in Russell that is safe and can cope with the increased number of boats. The current boat (whilst we have improved it) is not fit for purpose for the future. If we could analyse and develop a plan to do this in the next 5 years that would be excellent.
- We would like the council to put in 3 super yacht moorings in Russell harbour. This will allow for the increasing demand of the super yachts in the bay. FNH estimate this cost to be \$20k per mooring or total \$60k.

Children's Play Ground.

- there is not one in Russell and we need this. Estimates range cost of a playground is \$70 to \$100k, plus the land from the council.

Cycle Way link to Opuia to Russell.

- The community has worked on this with the council. We now need to move forward and completed the work, the council would need to pay \$30k for the process and time taken for submissions, the community has an option to pay for the remainder. This also include future R&M costs.

The Russell Strand.

- We propose a mixed use Strand option be investigated and implemented. This may mean the implementation of new signage , new paving and judder bars and also improved sea wall area. the cost estimate is \$100k. However the community consultation process needs to completed.

I am available to help with discussion and moving this forward, let me know how I can help.

Regards
Chairman of the RWWT

Carla Ditchfield-Hunia

From: Kathryn Ross
Sent: Wednesday, 3 January 2018 4:56 p.m.
To: 'Andy Nock'
Cc: Chris Galbraith; Sheryl Gavin; Samantha Edmonds
Subject: RE: Russell Wharf

Hi Andy

The LTP consultation document won't be adopted until the Council meeting in Feb. This precludes starting the consultation earlier. And yes the decision would then be made as part of the LTP deliberations in May.

Council is consulting on transferring it to you for \$1.

Your request for transfer, as I understand it, also requests we transfer money (\$120k) to you too. This assumes that there is \$120k sitting in a reserve associated with the depreciation we have rated for the assets renewal. This assumption is currently being looked at. Given the equity injection we are also consulting on and the potential for there to be less than \$120k available given work done / planned already:

Russell Wharf Approach Bridge - Handrails Timber \$32,100 Russell Pontoon – Pontoon Steel/Conc/Foam \$148,100 Piles Steel (x 4). No major repair required \$51,600 Piles Other Steel \$7,400 Decking Timber \$38,000 Gangway Steel \$24,900 Is the \$120k a condition for transfer or just an aspiration?

Kath

Kathryn Ross

General Manager - Strategic Planning & Policy Strategic Planning & Policy, Far North District Council

+6494015765 | Kathryn.Ross@fndc.govt.nz

www.fndc.govt.nz

-----Original Message-----

From: Andy Nock [mailto:Andyn@fnhl.co.nz]

Sent: Thursday, 30 November 2017 5:47 p.m.

To: Kathryn Ross

Cc: Chris Galbraith

Subject: RE: Russell Wharf

Hi Kathryn,

No earlier?

As our programme with Collette the tenant is; Resource Consent Obtained Building Consent to be submitted by the end of January Building Consent Processed February - March Building Tender and Evaluation February - March Contractor Appointed April
7 Month Construction Period
Completed November prior to Summer, thus avoiding impact on ferry traffic and maintains business continuity over the peak months December-April for Collette.

If consultation doesn't start until March I am assuming end May at best for a decision? Which will mean Collette loses December and January trade and we are constructing in the peak season.

Can we expedite the process and start the consultation in February?

Cheers,

Andy

Andy Nock

Chief Executive

Far North Holdings Limited

PO Box 7

Opua 0241

Ph: 094025659

Mob: 027 567 8111
Email: andyn@fnhl.co.nz

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-----Original Message-----

From: Kathryn Ross [mailto:Kathryn.Ross@fndc.govt.nz]
Sent: Thursday, 30 November 2017 5:36 p.m.
To: Andy Nock <Andyn@fnhl.co.nz>
Subject: RE: Russell Wharf

Consult in march.
kath

Kathryn Ross
General Manager - Transformation Projects Chief Executive Office, Far North District Council
+6494015765 | Kathryn.Ross@fndc.govt.nz
www.fndc.govt.nz

-----Original Message-----

From: Andy Nock [mailto:Andyn@fnhl.co.nz]
Sent: Thursday, 30 November 2017 4:39 p.m.
To: Kathryn Ross
Subject: FW: Russell Wharf

Hi Kathryn,

Can you update me on the current FNDC timetable so I can dovetail this with the re-development programme.

Cheers,

Andy

Andy Nock

Chief Executive
Far North Holdings Limited
PO Box 7
Opua 0241
Ph: 094025659
Mob: 027 567 8111
Email: andyn@fnhl.co.nz

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-----Original Message-----

From: Andy Nock
Sent: Friday, 3 November 2017 11:26 a.m.
To: Kathryn Ross <Kathryn.Ross@fndc.govt.nz>
Subject: Russell Wharf

Hi Kathryn,

Can you let me have a timetable for a decision on this, as we are putting together a programme with Collette, the tenant of the wharf I-site, over a programme for redevelopment over the winter months 2018.

Cheers
Andy

Sent from my iPhone

Get it done online at your convenience, visit our website - www.fndc.govt.nz

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Please consider the environment before printing this email.



Carla Ditchfield-Hunia

From: Kathryn Ross
Sent: Tuesday, 9 January 2018 4:17 p.m.
To: Chris Galbraith; 'Andy Nock'
Cc: Kylie Cox; Samantha Edmonds; Beverly Mitchell; Huia Arahanga-Doyle
Subject: RUSSELL WHARF & Council's Equity Investment
Attachments: Document1.docx; FNHL equity investment consultation 2018 Statement of Proposal with Submission Form.docx

Hi Chris and Andy

As per my phone messages, here is a quick update on things at our end for the consultation on the equity investment in FNHL and the Russell Wharf (following my email last week).

We are going to start our consultation on the Equity investment on Monday (ads will start going in papers from Saturday). The draft statement of proposal and the feedback form (which requires a couple of minor tweaks) are attached so you have them before they go live this weekend/Monday. We will also send them to Top Energy.

The other document attached is the very draft wording for our consultation document for the LTP on the issue of the Russell Wharf sale. I know you will be aware, but if Council does decide to sell the wharf, we have to give first option to purchase to the Waterfront Trust at market rates. In addition we have to repay the \$100,000 community contribution to the wharf upgrade some years ago to them.

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In the draft CD we proposing to make the transfer to you for \$1 without a cash transfer. The transfer could cost us \$224,999 (including the \$100,000 to the Trust and we have not provided for this in our draft budgets which were set before we broke for Xmas and are the ones we need to send to Audit). Of course I'd expect that you will want to discuss the transfer of the \$125,000 with council further and suggest that it would be good process for you to make a submission to this effect if the transfer of cash (or rather the lack of it) is a deal breaker (as per my query to you last week).

You may also be concerned that in requesting the transfer to yourselves, that the Waterfront Trust could actually end up being the owners of the wharf (you probably have a better handle on the likelihood of this than I do). In light of these matters (potential for waterfront trust to own, potential for no cash to be transferred to you etc.) you might have a different view of whether the transfer request and a council decision to transfer the asset is truly desirable. We are going to Audit next week (advance copies of information are being shared this week). If you decided that you didn't want to go down this path we can pick up this position through the consultation process. At a pinch we might be able to remove it from the Consultation process and Consultation Document if we knew next week at the latest when Audit was here.

Sam is the Acting CEO this week, and is fully apprised of all matters if you want to talk urgently to her or myself. Look forward to hearing from you soon.

Kath



Kathryn Ross

General Manager - Strategic Planning & Policy

Strategic Planning & Policy, Far North District Council | 24-hour Contact Centre 0800 920 029

ddi +6494015765 | m 027 807-0364 | Kathryn.Ross@fndc.govt.nz

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STATEMENT OF PROPOSAL

Increasing Council's equity investment in FNHL for the Economic Development of the Far North District

Introduction

Council is considering investing (up to) an additional \$6 million in Far North Holdings Limited (FNHL), increasing Council's total share investment in FNHL to \$19 million. The investment is intended to enable the creation of an industrial park and support the economic development of the district.

Because this proposal involves increasing Council's shares in FNHL by approximately 50% (and the shares are listed as Strategic Assets in Council's current policy on significance), and there has historically been community interest in the activities undertaken by and the performance of FNHL, Council is undertaking a Special Consultative Procedure under the Local Government Act 2002. This Statement of Proposal has therefore been prepared in accordance with the requirements set out in sections 83 and 83AA of the Local Government Act 2002.

A number of options were considered by Council to enable the creation of the industrial park. An equity investment (i.e. the purchase of additional shares) of up to \$6 million in FNHL was chosen as the proposed option, with accompanying measures to reduce the investment risk for Council and the ratepayer.

This Statement of Proposal sets out Council's views on the proposal and invites comment from Far North residents and ratepayers. Consultation opens on 15 January 2018. The last day for submissions is 4.30pm 14 February 2018. You can make a submission by email, on our website or by post. You will be given the opportunity to be heard and your feedback will be considered prior to Council making its decision in March 2018.

Background

FNHL is a Council Controlled Trading Organisation that is wholly owned by Council. Council currently holds \$12 million fully-paid ordinary redeemable shares in the company.

In December 2017, Council committed to a \$1 million equity injection (i.e. the purchase of \$1 million worth of additional shares) into FNHL, subject to satisfactory agreements being concluded, to enable the expansion of the Bay of Islands (Kerikeri) airport terminal. With Council's contribution, this expansion, will improve and grow district connectivity for people, businesses and tourists while enabling the economic development of the district.

FNHL delivers commercial activities, support for businesses, and manages assets to achieve a commercial return and commercial outcomes. Council's relationship with FNHL is governed by a Statement of Intent (SOI). Under the current SOI the Council is entitled to receive a dividend from FNHL of 50% of FNHL's after-tax operating profit no later than 28th February of the following financial year. Council budgets to receive this dividend, as it is income that reduces the annual rating requirement (effectively subsidising rates and returning value to our communities).

As a result of strong performance, FNHL will pay Council a dividend of \$719,000 (being 50% of the operating profit from the last financial year) in February 2018. This amount is higher than what Council originally budgeted (\$500,000).

As part of the development of the SOI for 2017-2020, Council and FNHL agreed to explore the expansion of the nature and scope of FNHL's activity (for example to deliver wider economic development objectives). Council has requested that FNHL explore a number of economic development opportunities for Council's consideration. This Statement of Proposal relates to one of those opportunities.

The proposal: An equity investment to enable FNHL to purchase the property and develop it - Option 1

Council is proposing to invest (up to) an additional \$6 million in FNHL, increasing Council's total share investment in FNHL up to \$19 million, to enable FNHL to purchase land and assets (some of which already provide a commercial return) to create an industrial park and support the economic development of the district.

Reasons for the proposal

An industrial park has already been identified as a key economic opportunity in the Tai Tokerau Northland Economic Action Plan. The concept piggy backs the expansion of the Ngawha geothermal power plant, which has resource consent to expand (which will be done in stages to match electricity demand) up to 53MW, with a further 25MW of generation capacity to be developed later if required Civil works contracts were awarded in December 2017 and public announcements indicate that by September 2018 it will be known whether there is a viable geothermal resource to support the expansion¹.

The types of business, industry and/or cluster that would benefit from the development include dry industries (such as data processing / warehousing etc. that don't require access to water but are energy intensive) and industry based on primary production such as forestry processing (sawmills / pulp etc.) and dairy processing (which require access to water, including water storage for processing).

While no private investor has been secured to advance the industrial / energy park concept, the Council considers that the project aligns well with the District and Council's vision He Whenua Rangatira, our community outcomes and economic development activity as well as regional economic strategies and plans, such as He Tangata, He Whenua, He Oranga and the the Tai Tokerau Northland Economic Action Plan.

Council therefore wishes to step in and enable the industrial / energy park concept to be de-risked and market tested, preserving and growing the opportunity for future investment in a way that is cost neutral or better for the ratepayer. Council is not a developer and thinks it's company, FNHL, has the commercial acumen and experience to lead this opportunity, including:

- owning the assets
- removing some of the risk for private investors and creating market certainty around the potential future activities that could occur on the site (applying for consents, marketing the opportunity etc.)
- ensuring the current commercial activities are optimised
- negotiating with potential investors, tenants and purchasers
- managing the risk to Council and ratepayers.

Council is therefore proposing to invest further in FNHL shares to enable FNHL to purchase the site and prepare it for development and investment. Council is also proposing measures to de-risk the investment (to Council and the ratepayer) and will take legal and financial advice on the best instruments and agreements to ensure it is secured, entitled to interest, dividends, return of capital and a share of capital gain (as it expects higher returns in the near to medium term from its investment). For example, it will:

- anticipate and budget for a dividend from FNHL of \$750,000 (assumed to be 50% per annum of FNHL's after tax operating profit), plus a special (preferred) fixed dividend equal to or greater than any interest costs to Council as a result of an/the equity injection

¹ The Top Energy website states that "drilling geothermal wells typically has between a 50% and 80% success rate of finding wells that will deliver to the needs of the power station as well as achieving sustainable reservoir management" <http://topenergy.co.nz/ngawha-expansion-project/construction/well-drilling/>

- require Council approval for any transactions (e.g. sale, security, exchange etc.) relating to the property or any asset encumbrance by FNHL (not contained in the original sale and purchase agreement) for a minimum of 10 years; Council approval can only be given by a resolution of Council
- retain the right to approve any transaction by FNHL that pertains to the property / asset (all such transactions will be classified as significant transactions requiring Council approval as currently provided for in the SOI) beyond 10 years.

Council will also ensure that due diligence on the purchase is completed (including independent valuation), and that the merits and risks of funding and share options, and legal advice are fully considered alongside community feedback before any sale and purchase agreement becomes unconditional. It may consider whether it is appropriate to request or demand a higher annual dividend (i.e. a higher percentage of FNHL operating profit after tax) in future years based on the equity investment and the need to achieve shareholder (and ratepayer) value.

Environmental and cultural issues, including implications for Maori, their land and/or any body of water, will be addressed in any future consenting or plan change processes and consultation and engagement.

The advantages and disadvantages of the proposed option

Equity investments carry the risk that if the company fails, the investor will not get its money back. They also provide the opportunity for a share of capital gains and income by way of dividend distribution.

While further equity investment in FNHL was not anticipated post 2010/11 (SOI's post the 2010/11 transfer of assets contained a nil equity demand objective) this objective is not contained in the current SOI. An equity investment of \$6 million would enable FNHL to purchase the property, and prepare it for development and investment (including applying for relevant consents). It would also allow FNHL increase its liquidity and/or financial capacity to increase debt to fund its activities. The investment agreement will therefore ensure that the purpose of investment - purchasing the property to develop an industrial park – is achieved.

Council holds a perpetual loan for its current investment in FNHL and would therefore only pay the interest costs on the additional equity investment (alongside the original loan interest) on the basis that should the principle ever need to be repaid this would come from the equity held. The interest costs on an additional \$6 million loan, assuming interest at 4.2% rising to \$4.8%, would increase against Council's current baseline interest costs under this loan by \$252,000 – \$288,000 per annum². It is proposed that Council's borrowing (interest) cost is covered by FNHL by way of a special / fixed dividend equal to or greater than the interest costs. This would be in addition to a budgeted and anticipated dividend based on 50% per annum of FNHL's after tax operating profit. As the property currently provides a return to the owner, this arrangement would ensure that FNHL is incentivised to optimise the current commercial activities on the property and the ratepayer is not paying more in rates as a result of the equity investment. In effect, FNHL will guarantee the borrowing costs of Council for this investment.

Once the property has been purchased by FNHL, FNHL could use it as security for a loan. To ensure that the Council has first call on the property as a result of its equity investment and / or proceeds from a sale of the property (e.g. should the market not respond to the economic development opportunity created) Council approval will be required for any transactions or any asset encumbrance by FNHL (not contained in the original sale and purchase agreement). This will include but is not limited to sale, security, and exchange agreements relating to the property and will last for a minimum of 10 years.

FNHL anticipate that should the development potential of the site not lead to businesses and industry locating at the site that the site would be sold and the initial capital investment would be recovered. Unless directed by Council the proceeds from any disposal of the property will be returned by FNHL to Council, and legal advice

² If the investment was combined with Council's already agreed \$1 million equity investment the increase would be a total of \$294,000 - \$336,000 on Council's current baseline interest costs under this loan.

will be sought to further protect the ratepayer from potential loss. Council may agree a higher percentage per annum (of FNHL's after tax operating profit) dividend in future.

While the borrowing would be on Council's balance sheet for a long time, the risk that the investment will result in Council exceeding any of its quantified limits on rates, rates increases or borrowing (as set out in the current financial strategy for any of the years included in the Long Term Plan 2015-2025) is low.

Council's current borrowing limit, set by the Local Government Funding Agency (LGFA) is that borrowing is not greater than 175% of revenue excluding capital revenue (such as subsidies). Any borrowing to invest in FNHL would be included within this limit and could potentially restrict the capital works Council is able to do in the future. The risk of a breach of this borrowing limit in the next 10 to 13 years (the period covered by the current Long Term Plan and the Long Term Plan 2018-2028, currently in development) is considered to be low because Council borrowing as at October 2017 was \$47.5m and our planned debt ratio is 54.1%.

The risk that the borrowing limit would be reached does, however, increase beyond the 10 year horizon based on the draft Infrastructure Strategy. This is due to a large renewals profile in these outer years, the potential for growth related investment (particularly around Kerikeri, Waipapa, and Kaitaia), known water availability and quality, stormwater issues and aspirations for roading improvements, particularly for our unsealed network. There is also risk if rates revenue reduces for any reason. Council will regularly evaluate risk if this option is pursued and ensure appropriate treatment, monitoring and review occurs.

Independent tax advice will be sought to maximise tax efficiencies prior to Council making its decision.

The cost of this option is estimated to be less than \$100,000 (for professional advice) and there is a risk that any sale of the property does not cover the initial capital investment (and this is not offset through tax efficient arrangements on FNHL borrowings).

Alternative options considered:

2. Council provides a loan to FNHL to enable it to purchase the property and develop it

Council could loan \$6 million to FNHL (subject to the agreement of the FNHL Board) to enable it to purchase the property and develop it. The loan would be funded by Council taking out a long-term loan (over 30 years) and security for the loan would be agreed.

Council cannot lend money FNHL on terms and conditions that are more favourable to FNHL than it can get itself. Therefore any loan to FNHL must be in an "arms length" arrangement with interest at a commercial level - about +1% over Council's current interest rate. Council would get an assessed rate to ensure the transaction did not breach legal requirements.

To ensure the loan is cost neutral to the ratepayer (with no year to year impact on rates) the loan would be conditional on FNHL repaying the principal and interest at a commercial level (assumed to be @5%). The loan would cost FNHL circa \$500,000 per annum, increase FNHL's debt levels and reduce its liquidity. This would negatively affect current and/or future projects and investments, delay profits and, as a consequence, reduce future dividend payments to Council. This funding option would, however, motivate the development and marketing of the property to secure third party investors and tenants to achieve a solid cashflow and / or capital gains.

As above the \$6 million of borrowing would be on Council's balance sheet for a long time. Monitoring the debt would incur administration costs that would need to be woven into the agreement. The risk that Council would breach its current 175% borrowing limit (set by LGFA) is low in the short to medium term. This risk would be regularly evaluated if this option is pursued and Council would need to ensure appropriate treatment, monitoring and review occurs.

Subject to suitable security and agreement from FNHL to cover the principal and interest (at commercial rates) the cost of this option is estimated to be less than \$100,000 (for professional advice), so long as forecast dividends are maintained.

3. Combination of loan and equity investment

Under this option Council would make an equity investment of \$3 million in FNHL and loan fund \$3 million to FNHL on the same terms and conditions that are outlined in options 1 and 2, however the equity return would be less than 75% to reflect the lower equity taken. A 25% increase in equity may in future justify a higher annual dividend.

Under this option the FNHL's annual costs would be less than those in option 2 by approximately \$120,000, with a partial offset available through tax efficient arrangements on FNHL borrowings, and the income from the property.

This arrangement is anticipated to reduce the potential negative effect on FNHL's current and/or future projects and investments, profits and, as a consequence, future dividend payments to Council.

Subject to suitable security and agreement from FNHL to cover the principal and interest (at commercial rates) the cost of this option is estimated to be less than \$100,000 (for professional advice), so long as forecast dividends are maintained.

4. No contribution (the do nothing option)

The advantage of the do nothing option is that no further Council time, resources or ratepayer contribution is required. However the disadvantage is that the project and the potential economic development benefits to the district are unlikely to be realised.

To date no private investor has been secured to advance the industrial / energy park concept, despite efforts by the current owner, Northland Inc, and New Zealand Trade and Enterprise. Investors generally require certainty and without consents or alternative zoning, the site is less attractive to the range of potential investors.

The cost of this option is nil.

5. Other options considered and rejected

Council debt funding the purchase of the land and developing the land itself has been rejected because:

- Commercial property development is not Council's area of expertise
- All of the risk lies with Council and the ratepayer
- Council is the consenting authority (for land use, subdivision, and building consents) and administers the current District Plan, which is under review. Council could be accused of entering into the fray rather than merely acting as a responsible territorial authority under the Resource Management Act if a plan change (for example to change the underlying zoning) or resource consents were required.

Council has also rejected

- rating for the purchase of the land in year one of the LTP 2018 because this is not affordable to our ratepayers. Approximately \$750,000 equates to a 1% increase in rating revenue.
- engaging FNHL to manage the asset on its behalf as this does not adequately reduce the risk to Council and the ratepayer, nor does it sufficiently incentivise FNHL to maximise the current commercial return and future potential of the project.

Have your say

Thank you for taking the time to read through this proposal. Before making any final decisions, we would like to have your input. We welcome feedback (submissions) from any interested person or organisation on any aspect of the proposed equity injection into FNHL to enable the economic development of the Far North.

Timeframe

The Council is seeking feedback (submissions) on the options presented in this proposal, including the level of equity investment. Consultation opens on 15 January 2018. The last day for submissions is 4.30pm Friday 16 February 2018. Hearings are currently scheduled to be held on 28 February 2018 from 2pm.

How do I have my say

We would really like you to have your say on this issue. If you would like to share your views, your feedback (submission) must be received by **4:30 pm on Friday 16 February 2018**.

To make a submission you can:

- Complete the form at the back of this document and send it back to us: FNDC Submissions, Far North District Council, Private Bag 752, Kaikohe 0440 or drop it in to any of our service centres, libraries or Council offices; or
- Complete it online at <https://www.fndc.govt.nz/communication/consultation>

Far North Holdings Limited (FNHL) Consultation

Thank you for taking the time to read through this Statement of Proposal, and we welcome your feedback.. To make a submission you can:

- Complete this form and send it back to us: FNDC Submissions, Far North District Council, Private Bag 752, Kaikohe 0440
- Complete it online: [www.fndc.govt.nz \ what's new? \ consultations](http://www.fndc.govt.nz/what's%20new/consultations)
- Drop it in to any of our service centres, library or council offices

Please note: Submissions become public documents. If there are any details you don't want made public, please let us know. Submissions will not be returned to you once lodged with Council. Please keep a copy for your reference.

Your feedback must be received by 4:30 pm on Friday 16 February 2018

For photocopying purposes, please print clearly using a pen

Name: Mr / Mrs / Ms / Miss _____

first name

last name

Organisation (you must have permission to act on behalf of): _____

Postal address: _____

Best phone number to contact you on: _____

Email: _____

Would you like to speak to the Mayor and Councillors about your views at a Council Hearing? Yes No *(please tick one)*
If you tick 'yes' we will be in touch to arrange a date and time. Hearings are likely to be held on the 28 February 2018 in the Council Chamber, Kaikohe.

Council is proposing to make an additional equity investment in Far North Holdings Limited to enable FNHL to purchase land and assets to create an industrial park and support the economic development of the district.

- Do you support Council making an additional equity investment in FNHL of up to \$6 million (increasing Council's total equity investment in FNHL to up to \$19 million) to enable FNHL to purchase land and assets to create an industrial park and support the economic development of the district? *(please tick one)*
Yes No
- If 'No', would you support:
 - Council making a smaller equity investment? Yes No
 - Council providing a loan (of up to \$6 million) to FNHL if FNHL provides security and covers the principal and interest of the loan? Yes No
 - A combination of loan funding and equity investment to FNHL? Yes No
 - Council making no contribution Yes No

Other comments: _____

If there is insufficient room on this form you may attach further A4 sheets as required.

Please return form to: FNDC Submissions, Far North District Council, Private Bag 752, Kaikohe 0440 or drop it into your local Service Centre, Library or Council Office



LTP 2018-28 FREQUENTLY ASKED QUESTIONS

Russell Wharf

Why is Council considering transferring the wharf to FNHL?

The Council's commercial company Far North Holdings Ltd (FNHL) has asked the Council to transfer Russell Wharf to it for \$1 so it can develop a café, i-SITE Visitor Information Centre on the wharf and improve circulation space. FNHL already manages and maintains the Russell Wharf on the Council's behalf. It is currently replacing the main commercial pontoon.

If the transfer occurred, FNHL would be responsible for maintaining the wharf and replacing materials. The transfer would save the ratepayer money (on average \$100,000 per year) as Council would no longer have to depreciate the asset and collect money to fund this, operations, maintenance and future renewals. New work and improvements would also become the responsibility of FNHL.

Future development aspirations include:

- Replacing the low tidal landings with floating concrete pontoons
- Removing the fixed timber landing jetty and replacing this with a concrete pontoon
- New dinghy dock
- A wharf extension to the west to provide more visitor space and improve passenger flow
- Platform
- Sewage and water services across the fuel pontoon
- Super yacht mooring blocks.

FNHL has a proven track record and the experience required to manage, maintain and develop the wharf.

What about the Council's relationship with the community and its agreement with the Russell Wharf and Waterfront Trust?

The Russell Wharf is a vital piece of infrastructure for the people of Russell; locals describe it as a 'lifeline' and the community's 'State Highway 1'.

Council has a long and successful relationship working with community, the Trust and FNHL to manage and improve the Russell Wharf.

In 2011, the Wharf needed repair (replacing piles, walkway planks and steps) and the community wanted enhancements to occur. Council and the Russell community (through the Russell Wharf and Waterfront Trust) worked together to complete the repairs and improvements (including the boat ramp which was built with volunteer labour). The community funding and volunteer time enabled the work to be completed in 2012. Council and the Trust entered into an agreement that would keep the Wharf in public ownership or give first option to the Trust to acquire the Wharf at market rates if the Council decided to sell the Wharf. In addition, if a sale occurred within 10 years Council would repay the amount raised by the community towards the Wharf (\$100,000) to the Trust.

At a public meeting in Russell (late 2017) the community highlighted further enhancements to the Wharf that it would like to see occur and a desire for a long term vision and plan for the Wharf.

Subsequently Council staff and the Community Board Chairperson have discussed with FNHL how we could work closely with the Russell Wharf and Waterfront Trust and the wider Russell community to develop and agree a 50 year vision and implementation plan that provides for community input into the Wharf's development, future direction, management and governance, and leverages funding opportunities. The vision is for a partnership agreement between FNHL and the Russell Wharf and Waterfront Trust to be formalised, with the trust expanding its governance so everyone in the community is represented.

Over the course of the consultation period (5 March to 4 April 2018) further community engagement lead by the Trust and FNHL and supported by Council will occur. This includes a drop-in session on Tuesday, 20 March from 11am to 7pm at the Russell Town Hall. There will be presentations at 11am, 2pm and 6pm.

Will FNHL on-sell the Russell Wharf to a private developer?

No. FNHL is a Council Controlled Trading Organisation. While it is a company in its own right, Council is the only shareholder. Council can stipulate in the terms of the transfer and direct FNHL to include in its Statement of Intent that should FNHL no longer wish to own the Wharf that it is transferred back to Council.

What if the community does not like what FNHL plan to do with the wharf?

FNHL wants to work closely with the Russell Wharf and Waterfront Trust and the Russell community. The development of the vision for the Wharf and implementation plan will include community input and Council will retain ownership of FNHL.

What about the government funding for Russell Wharf announced in March?

On 16 March, Regional Economic Development Minister Shane Jones announced that Central Government would invest up to \$5 million for significant upgrades to Russell, Paihia and Opuia Wharves, as part of the Provincial Growth Fund (PGF).

The \$1.114 million for Russell wharf is for work including replacing low tidal landings with floating concrete pontoons, removing the fixed timber landing jetty and replacing it with a concrete pontoon, a new dinghy dock, a wharf extension to the west for more visitor space and improved passenger flow, and a sewage and water service across the fuel pontoon.

FNHL already owns Paihia and Opuia Wharves.