

# Proposed Shelly Bay Development

Briefing – 3 November 2020

# Briefing overview

**The Purpose of today's briefing is** to provide an update on the proposed sale and lease of Council land at Shelly Bay. The focus is on the Key Commercial Terms of the arrangement, ahead of Council decision on whether to approve the Terms.

## **Introduction and recap**

- 2017 resolutions and 2019 CEO commitment

## **The 2017 resolutions**

- Council's rationale in 2017
- WCC affected land
- Infrastructure costs in 2017

## **The November 2020 decision**

- What the Mayor and Councillors will be asked to decide on 11 November
- Key Commercial Terms (KCTs)
- Implications of not approving the KCTs – WCC ongoing liabilities
- Shelly Bay Road engagement approach

# Introduction and recap

## Council agreement in 2017

16 resolutions were made. Key resolutions were.

- Agree to sell 0.3 hectares
- Agree to lease 0.6 hectares including Shed 8 and the Shipwright's Building
- Request officers to further investigate the upgrade of Shelly Bay Road
- Prepare a development agreement
- Delegate authority to CEO and Deputy Mayor to finalise and execute agreements
- Council's contribution to the estimated \$20m joint infrastructure fund be capped at \$10m

# Introduction and recap

## The CEO's commitment in 2019

CEO committed to not exercise delegation awarded through 2017 resolutions. Instead bring back to councillors recommendations in respect of the following:

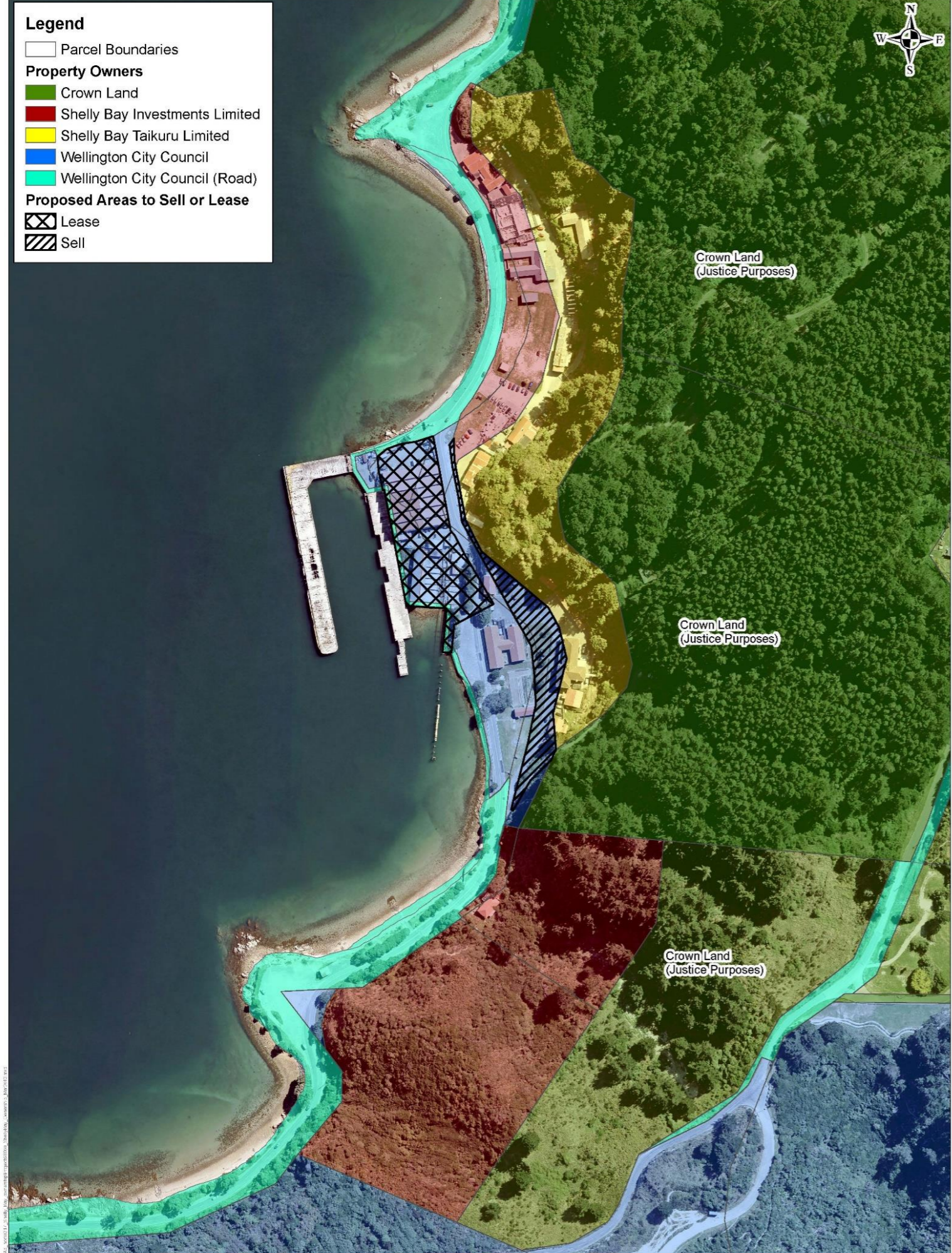
- a. The outcome of the resource consent process in respect of the development, including any conditions of any consents granted;
- b. The key terms of the transaction that Council proposes entering into in respect of the development, including the counter party;
- c. The timeframe for progressing any transaction in respect of Shelly Bay;
- d. The timeframe, scope and funding of further work in respect of Shelly Bay Road;
- e. Any of the resolutions made on 27 September 2017, which may need to be amended or rescinded as a result of any of the above.

# Objectives of the proposal in 2017

<b>Investment objective</b>	<b>Potential development outcomes</b>
Housing development	Enable growth in supply of housing with 350 new houses proposed.
Adaptive reuse of buildings – retain buildings of potential historic significance	Shed 8 and the Shipwrights buildings to be restored and reused, otherwise the costs would fall to Council.
Mana whenua partnership – unlocking value of Port Nicholson Block Settlement Trust (PNBST) land	Fulfil commitment to mana whenua MOU.
Infrastructure and public amenity	Delivery of infrastructure with Council contribution capped at \$10m.
Land value realisation	Full improved value of land achieved. The land presents limited open market value compared to the negotiated value presented by the KCTs.

**Legend**

- Parcel Boundaries
- Property Owners**
  - Crown Land
  - Shelly Bay Investments Limited
  - Shelly Bay Taikuru Limited
  - Wellington City Council
  - Wellington City Council (Road)
- Proposed Areas to Sell or Lease**
  - Lease
  - Sell



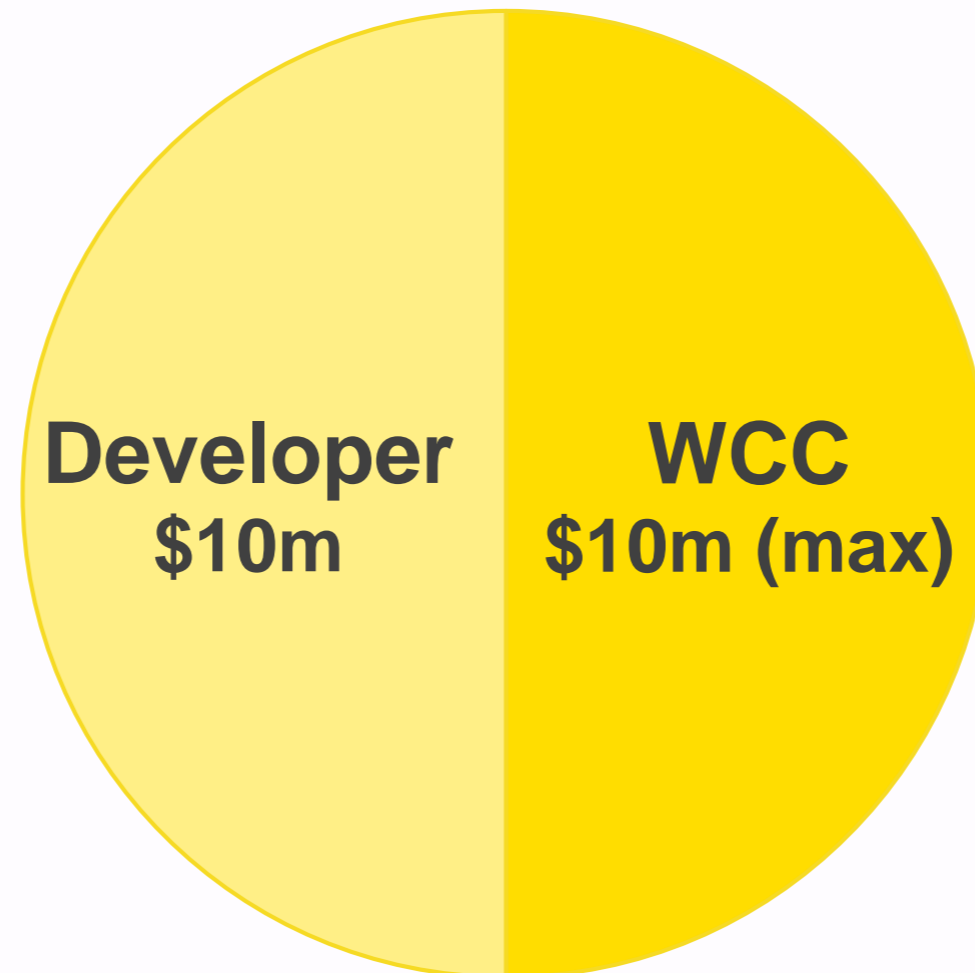
## Developer-owned land

Total 7.8 ha

## Council land

- Landward block. 0.3 ha, freehold sale at \$2.5m
- Seaward block. 0.6 ha, 125 year ground lease at \$5.5m
- Retained ownership. 2.6 ha

# Apportionment of WCC infrastructure costs in 2017



If infrastructure costs increase, the developer's proportion of costs increases due to the WCC \$10m cap.

# The key November decisions

**Councillors are requested to consider recommendations including:**

- The Key Commercial Terms which (if approved) would form the basis of a development agreement.
- The approach to engagement on Shelly Bay Road, in accordance with resolution 'x' of the September 2017 Council resolutions.



# Key Commercial Terms

Key items of the KCT's noted below. Please refer to the handout provided for a more in-depth summary of the KCTs.

Key Commercial Term area	Position under KCTs
Sale	Sale of 0.3ha for \$2.5m
Ground lease	125 year lease of 0.6ha for \$5.5m
Infrastructure (three waters, road and signals, seawalls and public realm)	<p>Council will contribute 50% towards the shared infrastructure costs capped at \$10m</p> <p>Infrastructure works include three waters, seawalls, road (to level required by Resource Consent), public realm.</p> <p>Any additional upgrade to Shelly Bay Road as per resolution x and subject to public engagement is not included in infrastructure agreement.</p> <p>Developer must design and deliver not less than \$5m equivalent value of infrastructure works before WCC will be required to make any financial contributions under the arrangement.</p>
Development Contributions	Development contributions will be dealt with via agreement, in line with DC policy.
Reserved Works (roading)	<p>WCC is responsible for completing any works in relation to Shelly Bay Road, to efficiently manage the road works including:</p> <ol style="list-style-type: none"> <li>1. The resealing of the road as required under the Developer's resource consent (included in the \$10m cap to Council – i.e 50% of this cost)</li> <li>2. Any further upgrades to Shelly Bay Road as per the 2017 Council resolution x</li> </ol>

# Other KCT's

# Building and Structural liabilities if KCTs not approved

If the KCTs are not approved Council will be required to address deferred investment on Council's infrastructure and commercial property assets. These assets comprise:

- Shed 8 and Shipwrights Buildings (both 15% NBS)
- Seawalls

## **Indicative costs to Council:**

The total costs to Council range from \$9.7 to \$20.0m. Costs comprise:

- Repairing the seawalls (\$7.2m)
- Strengthening, removing asbestos and refurbishing of Shed 8 and Shipwrights buildings(\$7.9 - \$11.65m) and/or;
- Demolition of all structures (\$2.55m)

**BUT** – up to \$1.3m in DCs possible if development proceeds as proposed.

# Shelly Bay Road

- Early investigation into roading options completed by Tonkin and Taylor
- Developed high-level engagement and consultation approach
- Deferred engagement until November decision as:
  - unable to engage in good faith as scope not confirmed
  - risk of Council being perceived as pre-empting the Decision
- If KCT terms are agreed, public engagement and consultation will begin and plan to align with Innovating Streets approach

**Legal matters**

# Questions