



Land Development Strategy

Version 1

23/2/17

DCL

LAND DEVELOPMENT STRATEGY

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1 EXECUTIVE SUMMARY

Purpose of this Document

Development Christchurch Limited (DCL) was established to become a financially self-sustaining Urban Development Agency (UDA), which plays a key facilitative role in accelerating investment in development and regeneration of the Christchurch built environment.

DCL is Christchurch City Council (CCC's) 'point of entry' for the private, Crown/public and social development community wishing to actively engage in the accelerated regeneration of Christchurch. Its existence provides both a lit path to CCC, and a way for CCC to participate in commercial regeneration opportunities at an arms-length while maintaining the highest standards of probity.

The purpose of this document is to outline the strategy that guides DCL to develop land, it includes:

- positioning DCL as an urban development agency (UDA)
- roles and responsibilities
- outcomes, outputs and activities
- a commercial framework
- a funding strategy

This document has been developed in partnership with the Council's Property team, Legal Services team, and Financial Services team. Their views are provided in section 3. Roles and Responsibilities.

Background

DCL was established in July 2015 following a Council resolution passed in April 2015. (in resolution CNCL/2015/00000).

DCL is a Council Controlled Trading Organisation (CCTO) for the purposes of the Local Government Act 2002.

DCL's core role is to provide the Council with the increased strategic capacity that arises from its commercial focus and commitment to engage effectively with developers, investors, businesses and other stakeholders.

DCL is a UDA whose objective is to accelerate development of the Christchurch built environment to achieve positive social outcomes that lead to a prosperous economy.¹ DCL's objectives align with the Council's and Christchurch City Holdings Limited's (CCHL's) vision for the city through the achievement of the Council's Community Outcomes identified in the Long Term Plan.

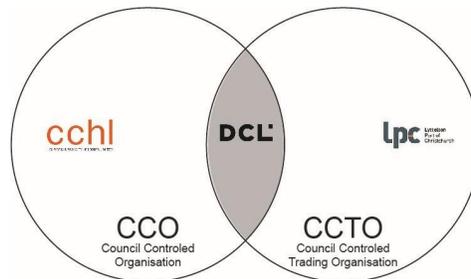
DCL's performance targets and measures are set out in its Sol which is prepared annually in accordance with Section 64(1) of the LGA. An annual Letter of Expectations from CCC further articulates areas of focus.

¹ DCL Strategic Plan 2016-2020, created November 2016

CCC, CCHL & DCL

As a CCTO (Council Controlled Trading Organisation) and subsidiary of CCHL, DCL is in turn owned by the CCC. DCL is governed by an independent board of directors and in operating as a CCTO, DCL has a series of constitutional and governance obligations. With limited resources, DCL must apply high standards of accountability, transparency and fairness as it agrees which projects to be involved in, in what capacity and how best to do so.

The LGA 2002 defined a CCO (Council Controlled Organisation) as an entity in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the members of the governing body. A CCO can be a company, trust, partnership, incorporated society, joint venture, or other similar profit-sharing arrangement. A CCO that operates a trading undertaking for the purpose of making a profit is referred to as a CCTO. Not-for-profit entities are CCO's. An organisation can be one or the other or both, DCL is both a CCO and CCTO (refer to below diagram).



The way in which it conducts business, and which business it conducts, is guided by its annual Statement of Intent (Sol), legislative requirements, CCC's Long Term Plan (LTP) and Annual Plan, CCC's Strategies and Policies, CCC and Crown regeneration plans, as well as its own constitution.

While deciding to take on an opportunity is the decision of the DCL Board, financial and other triggers are in place to include CCHL and the CCC/Community Boards/community (as appropriate) at the right point in the decision making process in a way which has regard to CCC's various obligations under the Local Government Act 2002 (LGA).

Development Opportunities

Opportunities arrive at the DCL table from across the gamut of the development community. These range from approaches from individual members of the public, through to responses to Request for Proposals (RFPs) issued by DCL.

DCL's procurement practice takes into account a number of factors such as intellectual property, community sensitivity, commercial prudence and its obligations through its Statement of Intent (Sol) and other governing documents.

To that end, DCL has created a robust and measurable framework for its development management functions that will enable its owners, key stakeholders, businesses and the wider community to have confidence in DCL's decision making.

Refer to Appendix 1 for further detail regarding the evaluation process applied to a development opportunity.

Funding Land Development and Capitalisation of DCL

DCL's objective is for it to be sustainable, effective, and add value to CCC and the community. The intention is for DCL to become financially self-sufficient after five years, with its reinvestment strategy initially supplementing and then replacing its funding from CCHL through returns from regeneration projects.

DCL's returns will be able to be measured financially as well as holistically, against how they contribute to advancing CCC's overarching Community Outcomes as identified in the LTP. Economic, commercial, social, community, governance and environmental outcomes are all relevant for DCL across the broader suite of its activities.

In order to fund initial land development costs, a \$5m development fund can either be provided by Council (rates impact of 1%) or via a CCHL line of credit. In order to ensure there is no burden on the ratepayer, DCL is seeking a line of credit from CCHL.

At this time, it is envisioned that DCL will partner with private sector developers to provide construction capital.

2 URBAN DEVELOPMENT AGENCY (UDA)

DCL is a UDA whose objective is to accelerate development of the Christchurch built environment to achieve positive social outcomes that lead to a prosperous economy.²

DCL is designed to meet the needs of the post-earthquake environment in Christchurch and to work in partnership with other agencies, including the social sector, to act as a regeneration agency not just for built form projects but also for human and social capital. As an active networker, a core role for DCL is to establish credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with private sector, not-for-profit and community groups active in areas of development interest to DCL.

UDAs are used around the world and the scope of their activities varies according to the local market conditions and local political structure. Their common objectives are to overcome development barriers such as land fragmentation and urban decay which are not generally dealt with by the market alone. In such cases, UDAs intervene to remove the barriers and allow desirable development to occur. Because it would be neither possible nor desirable to be involved in all development UDAs tend to focus on projects and sites of strategic importance which have 'catalyst' effects to the local property market and community.

DCL's Position in the Property Development Landscape

As a UDA, DCL acts as a bridge between the private and public sector with the purpose to catalyse social and economic development. Whilst the private developer typically seek primarily financial or commercial returns, the public sector is typically motivated by social returns. DCL is

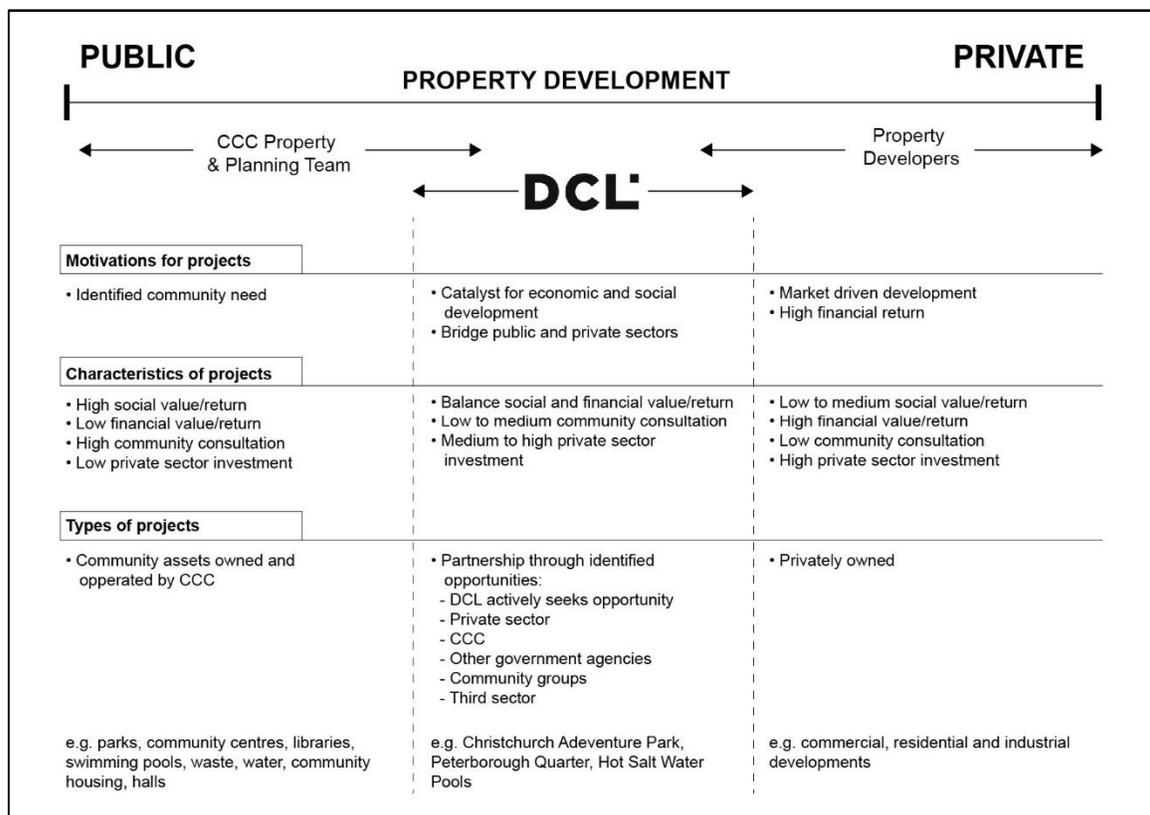
² DCL Strategic Plan 2016-2020, created November 2016

positioned to operate and balance both social and economic returns, as described in the table below:

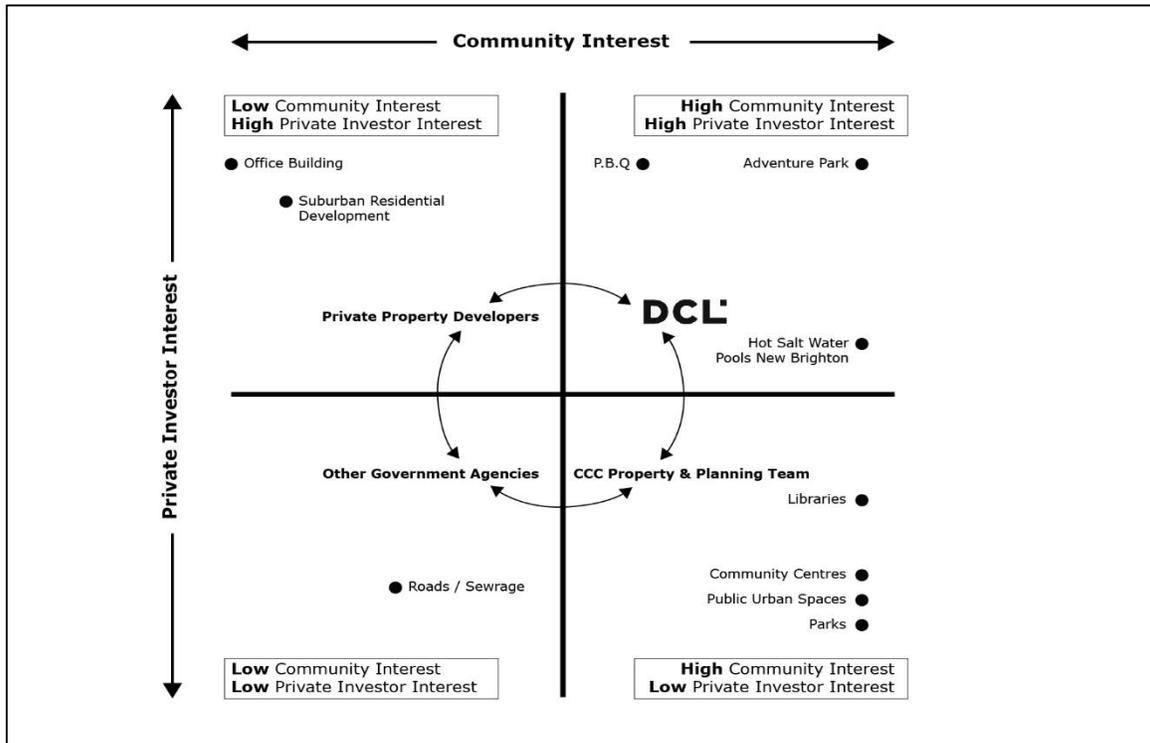
<i>Key Considerations</i>	<i>Public Sector</i>	<i>Development Christchurch Limited (UDA)</i>	<i>Private Sector</i>
<i>Social</i>	<i>High</i>	← →	<i>Low</i>
<i>Financial</i>	<i>Medium</i>	← →	<i>High</i>
<i>Consultation</i>	<i>High</i>	← →	<i>Low</i>
<i>Private Investment</i>	<i>Low</i>	← →	<i>High</i>

The success of a DCL project will be evaluated using a quadruple bottom line system, looking at commercial/financial, social, environmental and cultural outcomes. Refer to Appendix 3: Evaluation Methodology & Criteria for further detail on a project evaluation.

The characteristics of opportunities undertaken by the public and private sectors may stem from different motivations, but they often share overlapping interest which may be more easily achieved with the assistance of a UDA. The following table illustrates where DCL is positioned in the property development landscape relative to the private and public sector.



Development projects range from high to low community interest and high to low private sector interest. DCL's projects will often sit in the medium to high community and private sector interest, as is shown in the diagram below.



3 ROLES AND RESPONSIBILITIES

DCL's core role is to provide CCHL and CCC with the increased strategic capacity that arises from its commercial focus and commitment to engage effectively with developers, investors, businesses and other stakeholders³. This includes activities such as providing strategic advice to CCC and other public agencies; engagement and investor relations, and development management which are dealt with in more detail in section 4 of this document.

DCL has been established to be Christchurch's trusted and independent UDA. This is intended to safeguard the commercial sensitivity of opportunities, provide appropriate and certain process for engagement with opportunities, and to build and maintain the trust of participants in regeneration opportunities.

DCL has the potential to play a number of different roles within development projects, including:

- Enabling (making land investment ready, unlocking land status, providing higher-order consents, amalgamation of titles, etc.)
- De-risking (land remediation, building demolition, upgrading infrastructure, etc.)
- Promoter of the opportunity within Christchurch and beyond

³ DCL Statement of Intent FY 2017

- Advocate of the opportunity to attract other participants or funding to the opportunity
- Joint Venture participant
- Underwriting
- Developer
- Land owner and leasing back
- Facilitating
- Acquiring (strategic purchase of neighbouring land or land within masterplan area or growth locations, etc.)
- Disposal

As well as considering whether or not to pursue an opportunity, DCL will also identify the role it seeks to play within the project to ensure that the opportunity:

- Aligns with CCC's objectives
- Delivers on intended outcomes
- Provides value for money
- Matches DCL's risk profile
- Is within DCL's involvement capacity
- Enables regeneration to occur

Managing Risk

DCL's role in a project could range from development advocacy, through to being a participant in a development as set out in the table below. Each of the roles carries a different risk profile, and it is the role of the DCL Board to ensure not just that projects are appropriate from a commercial perspective, but that the relevant considerations have been given to the development risk, and that any necessary consultation/higher order decision making is occurring.

Given DCL is a CCTO, there are judgement elements which will be necessary for even the lower order risk functions, as well as being mindful of community and CCC expectations plays a large part in DCL's decision making.

LOW RISK
DEVELOPMENT ADVOCACY
PROPERTY MANAGEMENT AND DISPOSAL
PACKAGING AND MARKETING DEVELOPMENT OPPORTUNITIES
PROCURING AND MANAGING DEVELOPMENT PARTNERS
ACQUIRING AND ASSEMBLING DEVELOPMENT PARCELS
DIRECTLY UNDERTAKING DEVELOPMENT
HIGH RISK

DCL's management team and officers have the following roles:

- Facilitation, for example by way of introduction, higher order consenting, land aggregation, - to coordinate the connection between stakeholders and the CCC,
- Advisory, to the DCL Board, CCHL, CCC, and other public agencies ⁴as is relevant,
- Analysis, both by way of business cases for individual and strategic opportunities and the wider development market,
- Advocacy, on behalf of an opportunity or a way for CCC to participate in getting things done; seeking out catalyst projects and spearheading them,
- Promotion, using appropriate communication channels to actively advise stakeholders of the services DCL offers,
- Networking, to make and maintain connections and build confidence in DCL's property development strategies and abilities,
- Connection, of people, projects and concepts,
- Value identification, looking at the CCC asset portfolio to identify where opportunities for regeneration might lie and how to give effect to them, and
- Key project leadership, at a level that is appropriate for the nature and scale of each project.

The Board of DCL is responsible for approving the master-plans, concept/detail designs and respective Sale & Purchase or Development Agreements for each site.

CCHL is charged with the overarching governance of DCL, and at a governance level, CCHL is the primary point of contact between DCL and CCC, although governance engagement with CCC

⁴ Soi 2017 p3 strategic advice

does occur at agreed points. At a staff level, officers of CCC and DCL will have regular engagement as will officers of CCHL.

CCC's role is to sign off on land or issues which can be transferred into DCL's care having regard to its obligations under the LGA, Public Works Act 1981 (PWA), Reserves Act 1977, and the Ngai Tahu Claims Settlement Act 1998, and maintain the appropriate level of oversight through its reporting structures.

Governance and CCC Reporting Processes

For DCL to be able to be efficient, effective and proactive in the actions it takes, it is important that there is a clear and certain set of parameters around what activities it will be undertaking, when and by whom they need to be signed off.

DCL is in the process of developing a Service Level Agreement (SLA) which sets out its reporting processes. This SLA is being developed collaboratively with CCC officers, and once a draft is prepared it will be discussed with CCHL and CCC before a final version is agreed.

In the absence of the SLA, it is intended that the reporting processes set out at Appendix 1 and Appendix 4 will be followed. This document will be updated to reflect changes to the process which arise from the adoption of the SLA.

Consultation Plan

Alongside the evaluation process of each opportunity, DCL will develop a bespoke consultation plan in alignment with the LGA 2002 section 78-82 Principles of Consultation. The purpose of this plan is twofold – firstly, to deliver excellent community engagement. Secondly, to consider whether it is appropriate to design an integrated consultation plan which includes all necessary resolutions of CCC, community board, and other stakeholders as required. Such plans will be developed in line with a set of values which include the following key principles:

- Timely consultation
- Consultation with relevant stakeholders
- Consultation in a manner which is appropriate for the nature of the project
- Streamlined and efficient consultation design

Legal Responsibility

The following were items discussed and guidance provide from CCHL, the Council's Property team, Legal Services team, and Financial Services team.

CCC's Net Debt: The CCC group's net debt position is not impacted if assets are transferred to DCL if it is funded by the CCC group (CCC or CCHL). The specific circumstances would need to be considered if non-group funding is used by typically it would be un-changed.

Offer-back provisions and Intergroup transfers: Section 40 requires the Council (with some exceptions), when disposing of land no longer required for a public work, to first offer the land

back to the person from whom it was acquired, or that person's successor. Clause 2 of Schedule 9 of the LGA 2002 provides that nothing in the ss 40 and 42 of the Public Work Act applies to transfers of land from the Council to DCL, but that those sections apply to that land as if DCL was the Council and the land had not been transferred to DCL. This means that if DCL wished to dispose of the land then it would have to offer the land back to the person from whom it was first acquired by the Council, or that person's successor, before it could do so.

Special Consultative Processes: The requirement for a Special Consultative Process only applies to land described in the Council's Significance Policy as a 'Strategic Asset'. However, any Council decision to dispose of any land to DCL which is not a "Strategic Asset" will involve consideration of the followings:

- Section 78 LGA 2002 – Council must consider the views and preference of persons likely to be affected by, or who have an interest in, the matter. This could involve a need to consult.
- Section 138 LGA 2002 – If the land is a "park" (defined as any land acquired or used principally for community, recreational, environmental, cultural, or spiritual purposes) the Council must first consult on the proposed transfer.

First Rights of Refusal: Ngāi Tahu's right of first refusal only applies to land disposed of by the Crown, and is not triggered by an inter-group transfer of land.

4 OUTCOMES, OUTPUTS AND ACTIVITIES

As Christchurch's UDA, DCL will support the CCC's Community Outcomes identified in the Long Term Plan (LTP) through delivering successful development, investment and regeneration plans.

DCL's work will contribute to:

- Christchurch being a vibrant, competitive and attractive city, which has higher levels of public participation across a range of opportunities, including social and community investment which therefore drives economic growth.
- Greater convergence of opportunity and outcomes across all of Christchurch by promoting equal levels of service, amenity, access to transport and employment opportunities as well as availability and quality of housing stock in areas more severely affected by the earthquakes and post-earthquake environment.
- Increased productivity and incomes from a more spatially efficient and consolidated central city.

The outputs DCL will provide are:

- Strategic advice, as required, to CCC and other public agencies on matters relating to the leadership of urban regeneration outcomes and engagement with key stakeholders.
- Commercial advice, as required, to the Council in regard to the procurement and commercial strategies that form part of the delivery of major capital projects, with a particular focus on attracting private sector investment.

- Advice on how to advance the CCC 's strategic objectives in taking a pro-active approach to development through the use of CCC-owned land and other non-financial levers.
- Development of a commercial strategy that supports the implementation of suburban master-plans and attracts private sector and community-based investment.
- Seek, on behalf of CCHL and CCC, development opportunities that have the potential to enhance the economic well-being of the City and in doing so deliver a return that balances financial and public good outcomes.
- Be a clear and stable entry point for public, private and social capital providers through the development of an 'investor ready city' strategy.
- Establishment of credible mechanisms that enable early engagement, effective advocacy and strong working partnerships with private sector, not-for-profit and community groups active in areas of development interest to DCL.
- Assistance to Regenerate Christchurch and CCC in promoting the 'shared value' benefits that arise from successful regeneration activities.

Throughout, DCL will:

- Ensure that the organisation has key policies, processes, systems and people in place.
- Continue developing a sustainable financial model to support its operations on an ongoing basis, which will include an increased level of support from CCHL.
- Ensure that best practice governance, assurance and financial practises are applied to its operations.
- Develop strong working relationships with CCC and related entities, CCHL and its subsidiaries, Regenerate Christchurch and Ōtākaro Limited in undertaking activities directed at attaining the enhanced well-being of the City.
- Further progress the priority projects allocated to DCL.

DCL will be involved in opportunities both within the public and private sectors, through activities, such as:

- Proactively seeking opportunities within all sectors
- Analysis of opportunities referred from CCC
- Analysis of opportunities referred from other Crown/government agencies
- Analysis of opportunities referred by the private sector

- Analysis of opportunities referred by third sector/non-profit/community groups
- Analysis of CCC properties which are no longer held for the purpose for which they were intended
- Analysis of land identified for regeneration by Regenerate Christchurch

Each year, having reviewed the Letter of Expectations sent from the shareholder, DCL's Sol sets out activities which DCL is to undertake that year as well as the general activities which are to be undertaken on an ongoing basis. These include:

- Strategic advice (providing a quadruple bottom line perspective to CCC/CCHL on regeneration initiatives which is, in particular, informed by its commercial acumen),
- Commercial advice regarding procurement and commercial strategies vis a vis the delivery of major capital projects, focussing especially on attracting private sector involvement,
- Proactively exploring the use of CCC land and other non-financial levers to advance CCC's strategic objectives,
- Actively monitoring and anticipating CCC's annual and long term planning timetables, and engaging with CCC officers to maximum effect and efficiency,
- Support the implementation of suburban master plans by developing a commercial strategy which attracts private and community based investment,
- Look to partner with the private/community sectors for development opportunities which meet DCL's strategic outcomes,
- Become the inviting open door to financial and social capital providers through the development of an "investor ready city" strategy, and
- Creating investment ready land by means of amalgamation, pre-development activity, and higher order consents.

A range of development management activities will be undertaken by DCL, the nature and scope of which and how they fit with public and private partners needs to be clearly delineated for each individual opportunity. Such activities include but are not limited to:

- | | |
|---|--|
| · Options analysis | · Due Diligence |
| · Identifying, assessing and securing development opportunities | · Negotiations of land acquisition and disposal, partnership agreements etc. |
| · Strategic land acquisitions and amalgamation of titles | · Market research and demand analysis |

- Assessing road blocks to development and developing strategies to overcome these
- Master planning and concept development
- Development options assessment
- Development peer review
- Strategic development advice
- Advising on best practice
- Financial modelling of development options
- Project charter, plan and programme establishment
- Analysis of optimal project structure and DCL's role
- Procurement of qualified development partners
- Stakeholder management and community engagement
- Consultant selection and management of multidisciplinary teams
- Marketing, public relations and brand development
- Strategic marketing and positioning
- Negotiation of sales, leasing and heads of terms
- Design management
- Risk Management
- Assessment of required Resource Management and other necessary approvals development of consent strategy and management of necessary consents through the appropriate process
- Development Agreement negotiations
- Procurement management and tender evaluation
- Monitoring construction delivery
- Establishment of project governance structure and reporting regime
- Managing development partner relationships
- Collaboration with CCC entities and other Crown/government agencies

5 COMMERCIAL FRAMEWORK

It is vital that DCL's selection of development partners is viewed as fair, consistent, transparent and clearly meets the highest probity standards. Given the level of public scrutiny to be anticipated, this is not simply good business practice, but is essential for a CCTO.

Selection of partners can be achieved through a range of options. The option chosen should fit the scale and significance of the project. Options can include:

- Open or closed 'tender'
- Direct
- Pre-qualified panel
- Register

In selecting the appropriate method of development partner procurement, DCL will:

- Remain Flexible to cope with a range of projects
- Recognise industry expertise

- Be able to deal consistently with multiple unsolicited approaches
- Maintain credibility and develop goodwill in the development community
- Align options to development project categories
- Achieve value for money
- Employ fairness and consistency
- Only take into account relevant factors
- Determine the best approach to take by looking at primary value and desired outcomes

Public private partnerships, at a variety of scales, are now routinely accepted as a method of delivering projects. In Christchurch, examples of these already exist, such as the Christchurch Engine Centre; the city's civic building Te Hononga (a joint venture between Ngai Tahu and CCC); EPIC (built on CCC owned land); and from these to a micro level such as shown through Greening the Rubble. Australia has a well-developed set of Public Private Partnership guidelines and a number of flagship projects, for example the Royal Children's Hospital in Melbourne is a AUD\$946 million (June 2007 figures) project which was one of a tranche of Partnership Victoria projects.

Key to the success of DCL's ventures will be the selection, acceptance or procurement of appropriate development partners.

As previously set out, DCL works in a context which needs to be able to withstand rigorous scrutiny from a wide range of perspectives. In choosing to work with development partners, and in order to remain attractive to the broader development community and community as a whole, DCL must be cognisant of a range of issues which are broader than if it were working in a wholly commercial context.

To maintain its appeal to commercial partners, DCL must also be able to offer an environment where robust, fiscally prudent decision making is able to be consistently counted upon. Choosing development partners who are comfortable with performing in a way where stakeholder expectations around transparency are able to be met will go a long way to eliminating tensions between DCL's need for operational autonomy, its partners needs for commercial sensitivity, and its owners and shareholders need for appropriate and reasonable levels of public accountability.

With each opportunity, DCL will need to be clear about its role and that of its development partner/s, particularly where the participation of each begins and ends.

Types of procurement need to be appropriate for the scale and risk of a project so as to meet the probity expectations and procurement policies, without creating unnecessary barriers to participation. There are a range of methods of procurement which are fit for purpose to the scale of the project. These include:

- Direct approaches (suitable for very small or non-contestable projects, for example where there are unique specialist resources of a known quantity, or where there is a finite set of landowners who can partner in a project)
- Having a panel of pre-qualified suppliers/providers who may then be approached individually or as a restricted group
- Public tendering

The nature of method selected is one which the Board of DCL will consider as part of development management sign-off.

Refer to Appendix Six for details outlining market engagement opportunities and purposes and approaches to securing development partners.

6 FUNDING DCL AND LAND DEVELOPMENT

Land Development Costs

In order to extract maximum value out of the land parcels (with value being social, economic and commercial) pre-feasibility work will need to be undertaken early on. This work includes geo-tech assessments, cadastral surveys, demand analysis, pre-planning assessments, draft-consent assessments etc.

Completing these elements would add value to the sites and de-risk them from a third party's perspective. They would enable site specific information to be provided as part of the EOI process, reducing development risk, with an anticipated increase the number of potential respondents and their bid-price.

Without this the ability to fund these costs, they would need to be borne by potential development partners. This would likely reduce the number of interested parties and the value of bids. DCL can therefore be more successful by having access to funds to unlock value through the development process.

Four potential funding options have been identified for these early land development and New Brighton Land Purchase costs. These are:

- CCC funded: CCC borrows and provides funding to DCL. DCL repays when return is realised.
- CCHL funded: CCHL borrows and provides funding to DCL. DCL repays when return is realised.
- Bank funded: DCL borrows against equity in transferred land. Repays when return is realised.
- Private sector funded – a “do nothing” option from a DCL perspective whereby the private sector funds these costs in the instance that they deem the risk/reward trade-off to be justified.

Key Considerations

Six key considerations have been identified that underpin an assessment of the relative benefits between each of the four funding options identified above. These are:

- **Mandate** – do the Statements of Intent of CCHL and DCL enable funding/borrowing of these natures?
- **Tax** – what are the implications on CCC, CCHL and DCL from a tax perspective?
- Financial covenants – what are the impacts on CCC, CCHL, DCL financial covenants and ratios from the banks, the LGFA and ratings agencies?
- **Complexity/timeliness** – how complex is the establishment of a line of credit? How long will it take to establish? What is the cost of establishment?
- **Cost of funds** - what is the cost of capital and other associated lending costs?
- **Cleanliness** – are pre-existing relationships blurred or are there precedents for such lending?

Based on the options assessment in the matrix above, it is recommended that a line of credit from CCHL is explored as a preference. This option has the relative merits of:

- not impacting on CCC's LGFA and S&P ratios [subject to confirmation above]
- being tax neutral to all parties [subject to confirmation above]
- being relatively straight forward from a transaction perspective
- capitalising on CCHL's low cost of borrowing
- keeping the funding relationship with CCC 'clean' with them only providing operating and grant funding.

Proposed Process

Subject to DCL Board endorsement it is proposed that a proposal is put to the CCHL Board for their consideration. This will include a projection of when the drawdowns may occur in order to assist their financial management.

Following CCHL Board approval, CCHL and DCL's CFOs will work together to arrange the facility as well as loan schedules and other associated documentation.

When DCL management have either a land development project (with a budget for early land development costs) or a proposed land purchase approval to draw-down this value is sought from the DCL Board. Once approval has been granted, the CCHL Chair will be notified and DCL/CCHL management will work together to arrange the draw down. Quarterly reports to CCHL will include detail on the progress and risks of projects associated with drawn down funds.

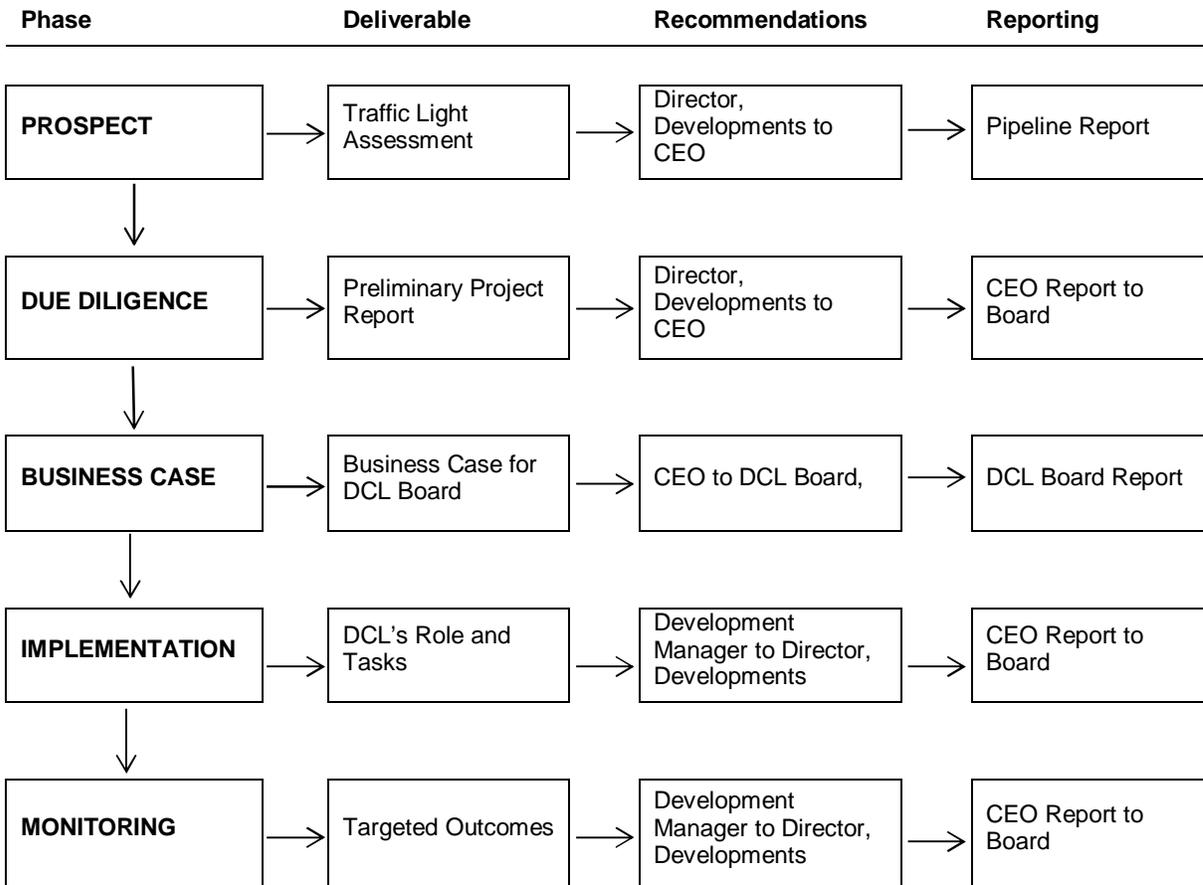
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APPENDIX 1 – LAND DEVELOPMENT STRATEGIC FRAMEWORK

Each development opportunity is evaluated using a linear process, with stop/go points at the end of each assessment phase. This method applies to both development opportunities initiated by DCL and those presented to DCL, as well as to selection of development partners.

The following diagram illustrates the internal evaluation, decision making and implementation pathways followed by an opportunity.



Separate flowcharts set out the opportunity evaluation process, roles and responsibilities, and identify reporting points relative to land ownership. These may change as the MoU with CCC is confirmed. The following flowcharts have been separately drafted in order to provide an indicative pathway, these may change on a case by case basis depending on the nature of the development. The following flow charts have been developed:

- Council owned land.
- Crown/other government agency owned land.
- Privately owned land.

The project phases are outlined below in Appendix 1a-1f.

APPENDIX 1A: PHASE ONE - PROSPECT

As CCHL and CCC's open door to regeneration opportunities, DCL anticipates that it will encounter a number of prospective partners and projects (described here as the "opportunity") through both a proactive and reactive position. Prior to detailed evaluation of an opportunity an initial discussion will endeavour to identify points of mutual interest and highlight issues that need to be discussed through the processes to follow.

This will help to clarify the nature and specifics of the opportunity which will expedite the next phase.

A high level record of engagement with prospects will be maintained on a confidential register to be used for DCL business tracking purposes only.

A high level evaluation of the opportunity against DCL's return on investment (quadruple bottom line), likely complexities/barriers (criteria) and risks will be undertaken by DCL. In addition to these matters DCL will review the opportunity against the following key considerations:

- What are the possible development options?
- Is there a reasonable and realistic chance of the opportunity being supported/funded or consented?
- Is the opportunity likely to yield value (from a quadruple bottom line perspective) that is sufficient to make it worthy of further investigation?
- Can DCL afford to undertake the opportunity?
- Does the opportunity meet DCL's objectives?
- Does the opportunity meet known community needs?
- Does the development opportunity promoter have the relevant experience?
- Does the development opportunity promoter have a strong track record in delivering development projects?
- What are the opportunity's potential risks/rewards?
- Are there any "roadblocks/fishhooks" that may affect the project's timetable or achievability eg. ease of transfer of ownership of publically owned land to DCL, ability for DCL to change the use of publically owned land with or without formal consultation?
- Who needs to be consulted?

In DCL's assessment of opportunities associated with council owned land, during this phase, it should be asking itself some fundamental questions from the CCC's perspective to determine sensitivities and timing/sequencing of key tasks e.g. socialising opportunity with key stakeholders such as, CCC asset owners, CCC business units, community boards. Questions include:

- Does CCC have all the information necessary to make a decision?
- Is CCC clear about the scenario (transaction) that is proposed?
- Could there be competing council uses for the site?
- Is the proposed use of the site (opportunity) consistent with a higher order document which has been consulted with the community?
- Are there legislative opportunities or requirements that would affect CCC's ability to complete this transaction?
- Are there financial barriers that would affect CCC's ability to complete this transaction?
- Are there outstanding, current or pending CCC/board resolutions or governance discussions that would impact CCC's decision?
- What is the nature of the community consultation process that would be required before this transaction could be completed and has that been undertaken?
- Have all appropriate stakeholders been involved in this transaction?
- What are our key risks/vulnerabilities for this proposal and how are we mitigating? Who is assuming responsibility for these risks? Will we be appropriately rewarded for these risks?
- How are efforts being harmonized, synchronised and/or rationalised across other projects – be they CCC, Community or Privately lead?

The outcome of the initial evaluation will be a 'traffic light' report that ground-truths key considerations pertinent to the opportunity and providing an element of comfort to DCL that there is a plausible opportunity for its involvement, in some form.

It is suggested that this phase of the opportunity evaluation is undertaken by a DCL Development Manager. With a recommendation from DCL's Director, Developments to its CEO to proceed (or not) with the opportunity to the next phase.

No key stakeholder consultation or engagement would routinely be undertaken during this phase, although this will depend on the nature of the opportunity. For example, highly sensitive, risky, or contentious opportunities are likely to be handled differently from those at the other end of the risk spectrum and high level analysis of likely consultation requirements be may be appropriate.

Projects are visible through a pipeline report to the DCL Board.

An assessment of costs to complete the following Phase will be undertaken by DCL during completion of the traffic light assessment.

APPENDIX 1B: PHASE TWO - DUE DILIGENCE AND PRIORITISATION

The outcome of this phase is a high-level analysis of the opportunity that will enable ranking of it against others to establish priorities and to determine if the opportunity is worthy of (or at a level that requires) full detailed assessment and presentation to DCL's Board. During this phase the opportunity would be recorded in Board reports within DCL in particular from the Chief Executive Officer (CEO) and the DCL Board of Directors.

If the opportunity is property related, the matters to be investigated and assessed are likely to include:

- Land Status – Review title status, transferability and likely ownership transfer timeframes. To gain an understanding of governing legislation and any contingent liabilities and. To consider any statutory requirements including but not limited to Conservation Act 1987, Ngai Tahu Claims Settlement Act 1998, Public Works Act 1981, Reserves Act 1977 and Heritage New Zealand requirements. Tasks may include but are not limited to:
 - Investigation of titles and encumbrances,
 - § Review the current computer freehold register; investigate location and type of easements, plot easements on a plan with summary.
 - § Review encumbrances and summarise intent, and impact on ease of transfer, ownership and development potential.
 - Consideration of statutory requirements affecting transfer of ownership to or from DCL, 5
 - § Investigation of acquisition history to understand the circumstances and chronology of the acquisition.
 - § Determine current status for the land.
 - § Determine whether land is held for Public Work, Reserve, or other.
 - § Confirm the appropriate legislation to process the disposal under.
 - § Reconciling overlapping/conflicting legislation.
 - § Application of current case law surrounding disposal of land.
- Site Information – Desktop review of technical information which is publicly available or held by the property owner to gain a preliminary understanding of geo-environmental conditions and existing infrastructure. Matters for review are likely to include but are not limited to:
 - Geotechnical and Flooding,
 - Land Contamination,
 - Ecological,
 - Traffic and Transportation,
 - Infrastructure (storm water, wastewater infrastructure and water supply/fire fighting capacity, and availability of power, communications and gas),
 - Topography and Aspect.

⁵ With regard to publicly owned land, it is noted that statutory requirements and responsibilities sit with the disposing authority.

- Resource Management – Consider zoning and implications and development of base case and preliminary options from an RMA/planning perspective including district and regional council issues; also preliminary high level planning advice for options,
- Planning Horizon – Estimate of the overall development timeframe and key milestones.
- Social and Cultural Outcomes – will the proposal add any value/come at any cost to meeting the city's identified social and cultural outcomes?
- Viability (feasibility) Test – scoping suitable options and obtaining all the necessary data such as, bulk and location assessments, cost estimates, values, preliminary key stakeholder feedback, market soundings and comparisons of options against industry expectations,
- Cost/Benefit Analysis,
- Consultation and Engagement Plan,
- Development Category – what is the type of opportunity being presented/assessed (refer to Appendix Three for outline of possible development structures), and
- Development Structure –DCL's role in the development and commercial parameters for developer participation (refer to Appendix Four for outline of possible development structures).

If the opportunity is partner related, the matters to be investigated and assessed are likely to include:

- § Partner's expectations of DCL – are the partners expectations proposed fair and reasonable?
- § Offer – is the proposed offer fair and reasonable and typical of the market?
- § Risks – what financial and/or reputational risks may apply to DCL/CCHL/CCC?
- § Partner Capability and Capacity - Does the opportunity promotor have the relevant capability and capacity to successfully complete the proposal?

On completion of the due diligence all current opportunities in this phase will be evaluated against each other using a weighted attribute method against a quadruple bottom line framework to determine shortlisted opportunities to be recommended to progress to preparation of a business case.

Evaluation will be undertaken on a monthly or as required basis and the evaluation panel would include DCL's Director, Development, a DCL Development Manager and relevant independent industry expert/s.

The outcome of the evaluation will be a 'Preliminary Project Report' (refer to Appendix 8) prepared by a Development Manager to DCL's Director, Development. The report will outline the likely costs of further investigations, and provide recommendations and actions to DCL's CEO seeking approval to progress the opportunity to full detailed business case or take another approach. This could include taking the opportunity no further or recommending that DCL pass it to a third party or if council owned land, providing strategic advice.

DCL's holistic quadruple bottom line approach to opportunities has the potential to create tensions at times with the solely commercial drivers of private development partners, or the solely non-commercial drivers of community partners. This requirement for a broader view of potential opportunities needs to be clearly spelt out to prospective participants throughout the process.

An assessment of costs to complete the following Phase will be undertaken by DCL during the due diligence assessment.

APPENDIX 1C: PHASE THREE - BUSINESS CASE

Upon authorisation by the CEO, a business case consistent with DCL's values will be developed and presented to DCL's Board of Directors for their decision, building on the information gathered in Phase three. It will be the decision of the Board to formally initiate, partner with and/or promote an opportunity.

If the opportunity is property related, the business case is likely to include consideration of:

- Development Outline,
 - Defining the development scope including masterplan and concept designs
 - Confirming that the development is in an area of interest for regeneration

- Development Feasibility Study,
 - Resource Management approval(s) framework and approval strategy
 - Detailed financial analysis of the development setting the cost performance baseline

- Development roles and responsibilities,
 - Through what structure the development will be delivered
 - Memorandum of Agreement between DCL and development partner(s)

- DCL support,
 - what is the recommended nature and level of support from the DCL Board and its shareholder

- Consultation and engagement with other stakeholders,
 - Identification of parties who may have a view on this proposal
 - Consideration of a series of mechanisms to enable the sharing of community views.

The business case will contain both a full “commercial in confidence” report and a report suitable to be released for public purposes, each or both with the relevant recommendations and actions.

If the opportunity is partner related, the business case will include research on previous activities undertaken by the prospective partner and any other information that may be pertinent to the objectives of DCL.

During this phase the opportunity would be recorded in DCL Board reports and in accordance with the provisions of its Sol to its shareholder.

Any project recommended to the DCL Board for progress will be accompanied by a business case. The objectives of that are to present, in a concise and clear manner, a very well tested and defined opportunity, with clear expectation around the scope and nature of DCL’s involvement. The business case will be for DCL Board to sign off and approve to implement the opportunity, as appropriate depending on its content, context and stakeholders.

The business case will be a written report, including;

- Background,
- Category (as defined in appendix 3),
- Objectives/benefits/outcomes,
- Scope/development strategy (what is it and what is DCL’s role),
- Preferred development option,
- Programme,
- Consultation plan and/or feedback.
- Estimated costs, end value and what is DCL’s investment (capital, resources, capability, etc),
- Risks,
- Actions, and
- Recommendations.

APPENDIX 1D: PHASE FOUR - IMPLEMENTATION

The nature of DCL's involvement in this phase will be determined throughout the earlier phases of the evaluation. Typically it will include some or all of active participation, passive participation, representation on a governance or management group, but may include other activity as appropriate depending on the nature and scale of the project or partner. Higher level consenting, land aggregation, acquisition and disposal are tasks that could be expected to occur at this phase as well as a number of other partnership activities.

APPENDIX 1E: PHASE FIVE - MONITORING

In this phase the opportunity would be reported to the Board of DCL on a six monthly basis or as required, and to its shareholder through its Sol or as required.

This phase, if property related, includes project delivery and handover.

The monitoring phase is critical to the long term success not just of the opportunity but to DCL itself. Lessons learned from opportunities will be able to be adapted and applied to new projects. The details of monitoring arrangements are to be developed through the next phase of development of this suite of documents.

APPENDIX 1F: PUBLICLY OWNED LAND CONSIDERATIONS

Where the opportunity is associated with Council, Crown/other government agency owned land an additional phase will be added to the process outlined above.

Disposal or transfer of council owned land to DCL will require a report to the council outlining the opportunity, significance policy, statutory obligation, DCL Board recommendations and CCC resolutions.

The land status will have a significant influence on the disposal of Crown/other government agency owned land to DCL. Disposal may be required to follow statutory obligations including those under the PWA. The Greater Christchurch Regeneration Act 2016 (GCRA) also has specific considerations relating to the disposal of land.

It would be prudent for DCL to investigate:

- Ability to obtain Acquiring Authority status to enable a more efficient and effective transfer of Crown owned land and pertinent sections of the PWA.
- Ability to utilise provisions of the GCRA available to the proponents listed in section 29 i.e. CCC.

APPENDIX 2 – DEVELOPMENT CATEGORIES

Developments fall into a number of different categories, which are currently being described as:

- Catalyst – projects that are planned and designed to cause a corresponding and complementary development reaction on surrounding properties. They are projects of sufficient magnitude to stimulate redevelopment of underdeveloped properties or major rehabilitation of underutilized buildings. The measure of return on investment can include

jobs creation, increase in land value, improved transportation and access, and new housing units.

- Place-shaping – provides DCL with an opportunity to use its influence, powers, creativity and abilities to create attractive, prosperous and safe communities, places where people want to live, work and do business. The development will affect the character of a place and therefore this is a process that needs to be managed.
- Strategic – to optimise development opportunities (in terms of mix, quality, return or scale) where there is a risk the market alone will not.
- Unlocking – unlocking development potential by removing barriers to development such as, land assembly, title amalgamation, infrastructure investment, etc.
- Demonstration – lead the market through projects to initiate the market, challenge common thinking and promote alternative methodology.

As DCL matures, the categories will be socialised with stakeholders and refined. The purpose of having a clear classification system is to:

- Assist with prioritisation and resource allocation.
- Assist with bespoke development plans.
- Ensure the quadruple bottom line assessment accurately reflects the nature of the development.
- Promote clarity around the nature of the work which DCL does, to ensure that choices which are made are understood by wider stakeholder groups.

APPENDIX 3 – EVALUATION METHODOLOGY & CRITERIA

The evaluation methodology and criteria are designed to ensure that capital and resources are spent on opportunities which add material value from a quadruple bottom line perspective. In ensuring that appropriate projects are selected in a transparent manner, with methodical evaluation of potential development partners, industry confidence will be systematically built and maintained.

The project risks/returns/barriers/complexities will each be assessed and using a ‘traffic light’ approach of red/orange/green as set out in Appendix 4, the overall project profile will be determined.

In a separate but parallel process, development partners will be assessed against:

- Project Organisation – the make-up of the promotor/the development company including existing or proposed investors and/or shareholders, its capabilities and capacity, and its development intention i.e. develop to sell or develop to hold, etc.

- Proposal – what form of development is being proposed? What feasibility work has the promotor completed to date?
- Relevant Experience – examples of comparable development projects led and/or completed by the Promotor in the last ten years, nationally and internationally,
- Track Record – record in leading the delivery of large scale multi-faceted projects in the last ten years, nationally and internationally, and
- Financial Viability – the availability of financial resources required to deliver the development.

A weighted attribute evaluation of the development partner will lead to a raw score which will be expressed as a percentage.

The following example evaluation process would apply:

Each of the attributes of proposal, relevant experience, track record and financial viability, are measured against the 10 point scoring scale. A raw score from the scoring scale is then derived, after which each score is then multiplied by the weighting percentage

10	EXCELLENT	Exceeds or clearly exceeds requirements without further clarification, alteration or negotiation
9		
8		
7	ACCEPTABLE	Meets requirement 'as is' or with very minor clarification or alteration
6		
5		
4	MINOR ISSUES / GAPS	Does not meet currently meet requirement but deemed addressable
3		
2	MAJOR ISSUES / GAPS	Does not meet requirement and is deemed difficult or impossible to address
1		
0	NO INFORMATION PROVIDED	No information provided or does not address requirement

Attribute	Raw Score	Weighting e.g.	Raw Score x Weighting
Proposal		15%	
Relevant Experience		30%	
Track Record		25%	
Financial Viability		30%	

The weighted attributes are then added and able to be compared.

APPENDIX 4 – QUADRUPLE BOTTOM LINE ASSESSMENT AND TRAFFIC LIGHT REPORT

The success of a DCL project will be evaluated using a quadruple bottom line system, looking at commercial/financial, social, environmental and cultural outcomes. As projects are assessed initially, a tick/yes or cross/no assessment will indicate whether there are positive, negative or neutral outcomes anticipated in each of those areas.

Risk evaluation of complexities, barriers and risks is done using a ‘traffic light’ method, of red/orange/green, where red is a significant problem, orange is an issue needing to be addressed or better understood, and green is no issue identified.

This method is intended to give a swift, visual message about the relative risks and potential returns each proposal may contain. Projects which are flagged with a red light are not necessarily non-starters, but may indicate a level of complexity which needs further work, and depending on the potential return may be a sensible medium to long-term project.

The objective of this analysis is to ground truth the opportunity and test against quadruple bottom returns, complexities/barriers and risks. It is a simple spreadsheet exercise based on the Development Manager’s and consultants’ experience and development knowledge, insight into the regulatory environment and publically available property information.

At the end of the assessments, an initial summary of the opportunity, actions and recommendations is made.

APPENDIX 5 – PRELIMINARY PROJECT REPORT

Following on from the assessments as set out in Appendices Six and Seven, a preliminary project report is drafted by the Development Manager. The objective is to summarise findings of the high level due diligence and make recommendations to the Director, Development. This in turn will enable effective and efficient decision making as to whether an opportunity is worthy of progressing to further assessment and socialising of opportunity to DCL Board, CCHL, CCC and other stakeholders.

Depending on the nature and scale of the proposal, this written report would contain commentary on:

- Background,
- Category (as defined in Appendix Three),
- Objectives/benefits/outcomes,
- Plausible development options,
- Scope/development strategy (what is it and what is DCL’s likely role),
- Programme,

- Consultation plan,
- Estimated costs, end value and what is DCL's investment likely to be,
- Risks,
- Actions, and
- Recommendations.

Given the potential for many projects to require evaluation through this process, it is DCL's intention to seek a clear mandate about which projects are appropriate for initial investigation, and to prioritise those in the first instance.

APPENDIX 6 - MARKET/PARTNER ENGAGEMENT

In order to be relevant and accepted by the development industry, the wider community and CCC, DCL needs to be able to articulate a clear and current knowledge of the market as it is relevant to its regeneration objectives.

This may take place using a number of vehicles, such as:

- Industry forums
- Industry stakeholder working group/forums
- Advisory panels
- Publications
- Social media

The objective is not simply to be a thought leader, although that is a desirable outcome. It is to demonstrate to the market that it is a commercial entity which understands and can respond to development imperatives. Maintaining its position as arms-length from CCC, creating a smart, commercial reputation and swiftly establishing a relevant and strong track record will be critical to DCL's perception as a trusted participant in Christchurch's regeneration space.