

Notice of Meeting:

I hereby give notice that an ordinary Meeting of Hamilton City Council will be held on:

Date: Wednesday 29 June 2016
Time: 9.00am
Meeting Room: Kauri Room
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Business and Investment Subcommittee OPEN AGENDA

Membership

Chairperson Her Worship the Mayor J Hardaker
Members Cr M Forsyth
Cr A King
Cr A O'Leary
Cr R Pascoe

Quorum: Three members

Meeting Frequency: Quarterly – or as required

Becca Brooke
Committee Advisor

23 June 2016

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Terms of Reference:

- To enhance Hamilton's economic position.
- Promote investment and business attraction opportunities for Hamilton.
- Oversee implementation of the Economic Development Agenda.
- To receive information and provide advice in relation to potential major developments.
- Recommend funding for Hamilton & Waikato Tourism (HWT) and Hamilton Central Business Association (HCBA) and receive six monthly/quarterly and annual reports.
- Develop and recommend to the Strategy and Policy Committee the Central City Transformation Plan.
- Develop and recommend a strategy to optimize use of the Municipal Endowment Fund and the Domain Endowment Fund by 30 March 2014.

Special Notes:

- The sub-committee may request expert advice through the Chief Executive when necessary.
- This sub-committee monitors Hamilton Properties Ltd.

Power to act:

- Recommend funding for Hamilton & Waikato Tourism (HWT) and Hamilton Central Business Association (HCBA) to the Finance Committee or Council.
- Make operational decisions that are aligned to the outcomes of the Economic Development Agenda.

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the agenda.

3 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

Committee: Business and Investment
Subcommittee

Date: 29 June 2016

Report Name: Business and Investment
Subcommittee - Open Minutes
- 23 May 2016

Author: Becca Brooke

Status	<i>Open</i>
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Recommendation

That the Subcommittee confirm and adopt as a true and correct record the Open Minutes of the Business and Investment Subcommittee Meeting held on 23 May 2016.

1. Attachments

- Attachment 1 - Business and Investment Subcommittee - Open Minutes - 23 May 2016

Business and Investment Subcommittee

OPEN MINUTES

Minutes of a meeting of the Business and Investment Subcommittee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Monday 23 May 2016 at 9:30am.

PRESENT

Chairperson	Her Worship the Mayor J Hardaker
Members	Cr M Forsyth Cr A King Cr A O'Leary
In Attendance	Kelvyn Eglinton – General manager City Growth Sean Murray – Director H3 & Events Cr Gallagher Kiri Goulter – Chief Executive – Hamilton Waikato Tourism Don Scarlet - Board Member - Hamilton Waikato Tourism
Committee Advisor	Mrs MM Birch

1. Apologies

Resolved: (Her Worship the Mayor Hardaker/Cr O'Leary)

That the apologies from Councillor Pascoe and Councillor Forsyth (for lateness) be received and accepted.

2. Confirmation of Agenda

Resolved: (Her Worship the Mayor Hardaker/Cr O'Leary)

The Committee to confirm the agenda

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Business and Investment Subcommittee - Open Minutes - 21 April 2016

Resolved: (Her Worship the Mayors Hardaker/O'Leary)

That the Subcommittee confirm and adopt as a true and correct record the Open Minutes of the Business and Investment Subcommittee Meeting held on 21 April 2016.

5. Business and Investment Subcommittee - Open Action List - 23 May 2016

The Subcommittee was updated on the Action List as follows:

Reference 13 – the first discussion between Hamilton Central Business Association (HCBA) and the Property Council had now taken place.

Reference 14 – The BID Policy was being presented to Council on 26 May 2016 for adoption.

Resolved: (Her Worship the Mayors Hardaker/O'Leary)

That the Report be received.

6. Hamilton and Waikato Tourism - Six Monthly Report July to December 2015

Kiri Goulter (Chief Executive) and Don Scarlet (Board Member) – Hamilton Waikato Tourism (HWT) and the highlighted, and responded to questions on, the following points:

- The NZ tourism industry was experiencing exceptional growth with visitor arrivals and expenditure at its highest ever level; this region was performing in line or above the national trend ;
- HWT would like to see additional hotel accommodation being developed to cope with the expected visitor growth;
- HWT had participated in the Tourism NZ marketing campaign in Australia;
- The full website redevelopment had been completed and a new arts video added;
- Another “Explore your Own Backyard” promotion focussed on outdoor family activities and cycling;
- The Convention Bureau was strong with enquiries continuing to be steady;
- The Tourism Opportunities Plan was at a final draft stage and would be ready in mid-June. After completion, HWT would come and present it to the Elected Members at a Councillor Briefing session;
- That although Hamilton Gardens was the number one tourist destination in Hamilton, the reason it did not feature more prominently on the website was as a result of what had been fed through to Tourism NZ; this would be investigated.

In response to specific questions concerning Claudelands, Ms Goulter and the Director H3 & Events confirmed the following:

- There was a daily rate sheet, which was negotiated as required to fit the market;
- Claudelands had its own sales and marketing team which worked closely with the Convention Bureau, though all commercial decisions rested with Claudelands;
- The high cost of hotel accommodation in Auckland had made Hamilton a more attractive option;
- Associations often preferred to go somewhere new, though quality, pre/post conference activities, off-site dinners, Hamilton Gardens and proximity to Hobbiton were all factors; and
- Development of Maori tourism, and the commercial opportunities it would present, were still being identified.

Resolved: (Her Worship the Mayor Hardaker/Cr O'Leary)

That:

- a) the Report be received; and
- b) Staff would bring a report to the Subcommittee on the current status of accommodation in Hamilton which would include capacity, uptake numbers by category and hotel investment opportunities.

Councillor Forsyth joined the Meeting during the above Item. She was present when the matter was voted on.

7. Municipal Endowment Fund Investment Policy

The Report was taken as read.

Resolved: (Her Worship the Mayor Hardaker/Cr O’Leary)

- a) That the report be received;
- b) That staff report back to the Business and Investment Subcommittee with:
 - A recommended option for administration and management of the Municipal Endowment Fund that includes a Hamilton Properties Limited model, or similar, to administer the fund to better support municipal purposes across the city; and
 - A revised Municipal Endowment Fund Investment Policy that supports the staff recommendation.

8. Resolution to Exclude the Public

Resolved: (Her Worship the Mayor Hardaker/Cr Forsyth)

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Business and Investment Subcommittee - Public Excluded Minutes - 21 April 2016) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Business and Investment Subcommittee - Public Excluded Action List - 23 May 2016)	

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

- Item C1. to prevent the disclosure or use of official information for improper gain or improper advantage Section 7 (2) (j)
- Item C2. to prevent the disclosure or use of official information for improper gain or improper advantage Section 7 (2) (j)

The Meeting moved into a Public Excluded session 10.30 am to 10.45am.

The Meeting was declared closed at 10.45am.

Committee: Business and Investment
Subcommittee

Date: 29 June 2016

Report Name: Business and Investment
Subcommittee - Open Action
List - 29 June 2016

Author: Becca Brooke

Status	<i>Open</i>
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Recommendation

That the Report be received.

1. Attachments

- Attachment 1 - Business and Investment Subcommittee - Open Action List - 29 June 2016

BUSINESS & INVESTMENT SUBCOMMITTEE

Action List - 2013-16

OPEN

Ref.	Meeting Date	GM Responsible	Action	DUE DATE for reporting back	Status (relative to due by date)	Notes
6	13/05/2015 Item 9	GM City Growth	Municipal Endowment Fund Investment Policy and Freeholding Council Domain and Municipal Endowment Leases Policy.	21-Apr-16	In progress	An update was presented at a Subcommittee workshop on 10 March 2016. PWC draft report received and a further workshop followed the 21 April 2016 Subcommittee meeting. Briefing to Elected Members on 17 May 2016, followed by a report to the 23 May B&I Subcommittee Meeting. Municipal Endowment Fund Investment Policy Report coming for the B & I Subcommittee's consideration on 29 June 2016. Freeholding Council Domain and Municipal Endowment Leases policies are currently under review and will be submitted to the Strategy & Policy Committee meeting for consideration on 19 July 2016.
12	10/03/2016 Item 7	GM City Growth	CBD Board Proposal Staff report to the Subcommittee to consider the Property Council's CBD Board and how it would relate to the operation of BID association in the central city.	21-Apr-16	In progress	The CBD Board proposal will be covered under the General Manager's report to the 29 June 2016 B & I Subcommittee meeting.
13	21/04/2016 Item 7	GM City Growth	Staff to update Subcommittee as to discussions between HCBA and Property Council.	23-May-16	In progress	To be covered in the General Manager's report to the 29 June 2016 , B & I Subcommittee meeting.
14	21/04/2016 Item 7	GM City Growth	Draft BID Policy recommended to Strategy and Policy Committee for adoption.	07-Jun-16	Completed	BID Policy was adopted by Council at the 26 May 2016 meeting.
15	23/05/2016 Item 6	GM City Growth	Staff to confirm that Hamilton Gardens is providing relevant information to Tourism NZ.	29-Jun-16	In progress	The General Manager City Growth confirms that the information has been provided to Tourism NZ.

Committee: Business and Investment
Subcommittee

Date: 29 June 2016

Report Name: General Manager's Report

Author: Kelvyn Eglinton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan, Central City Transformation Plan (CCTP), Economic Development Agenda</i>
Financial status	<i>There is no budget allocated</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Council's Significance Policy, a decision in accordance with the recommendation is not considered to have a high degree of significance</i>

1. Purpose of the Report

- To provide the Subcommittee with an update on the Hamilton-Waikato Business Hub, the Central Business District Board proposal and the Central City Transformation Plan (CCTP) collaborative approach.

3. Recommendation from Management

That the report be received.

4. Attachments

- There are no attachments for this report.

6. Business Hub

- The Business Hub is a project under the regional economic development strategy for Waikato to provide a "one stop shop" of local, regional and national agencies that provide business development services and advice.
- Hamilton City Council is a current project partner and is coordinating the initial stages of the project on behalf of the project partners.
- Other project partners include New Zealand Trade and Enterprise, Waikato Chamber of Commerce, Hamilton & Waikato Tourism, The University of Waikato, Hamilton Central Business Association, Education NZ, and Te Puni Kokiri.
- Project milestones and deliverables have been forwarded to MBIE and have been approved.

Item 6

11. Funding from MBIE has been approved and is in final MBIE processing. This funding will enable a Project Manager to undertake work to determine the viability of the project concept with current project stakeholders. A Project Manager has been appointed to begin work on the project and project partners have been notified.
12. HCC will act as the mechanism to receive the funds on behalf of the Project Partners and act as accountability for the accounts and performance of the Project Manager.
13. The Project Manager will work with existing and prospective project partners to determine the service offering, governance, operating and cost models, and revenue streams to allow for a determination to proceed by end July 2016. The Project Manager will recommend a suitable Central City location to house the project partners. The cost aspects of this locality both from a capital outfitting and annual outgoing cost, governance model and lease costs will form part of the viability decision.
14. If the project is deemed viable the project partners will then confirm their commitment through formal agreement and the fit out of the venue, leases arrangements and logistics plan will commence with a target to be complete by the beginning of December 2016.

15. Central Business District Board proposal

16. The General Manager has had continued discussions with the Chair of the Property Council with regards to the development of the CBD proposal and has continued to offer assistance.
17. From these discussions, the proposal is being further developed on behalf of the Waikato branch of the Property Council with support from then National office and is not yet ready for presentation to this subcommittee.

18. Central City Transformation Plan collaborative approach

19. Further to the CBD board proposal and resulting from discussions following the BID Policy review, the Hamilton Central Business Association, Waikato Chamber of Commerce and Property Council have met to determine a collective response to projects within the CBD.
20. To date the group has met to confirm their intention to work more collaboratively and have indicated to the General Manager that a workshop on identifying projects that could be collaboratively worked on would be welcomed.
21. As such the General Manager has circulated to the HCBA a list of potential projects and is in the process of hosting a workshop with the respective agencies.

22. Quarterly Economic Report – March 2016

23. An overview of the Hamilton Economy as sourced from the Infometrics Ltd site is presented below.

- 24. Hamilton’s economy continued to grow with Hamilton’s GDP showing growth of 3.4% over the March 2016 year. The City is experiencing high levels of investment, spending, and population growth at present.
- 25. The construction boom occurring in Hamilton is expected to persist throughout 2016. Not only has there been a sharp uplift in commercial developments, but homebuilding activity is continuing to rise.
- 26. House prices in Hamilton climbed by 26% over the past year. Continued steep house price inflation across New Zealand could force the Reserve Bank to bring in more restrictions on mortgage lending in places outside of Auckland, but any restrictions would not affect borrowing to fund new builds.
- 27. Hamilton’s population is growing. Over the past year net international migration into Hamilton was at least 1,514 people, compared with an average annual net gain of just 147 international migrants over the previous 5 years.
- 28. Retail spending is growing well above the national average. Data from Marketview shows that retail spending on electronic cards in Hamilton over the year to March 2016 was up 4.8% from a year earlier, compared to growth of 2.8% nationally. Growth in purchases of cars and commercial vehicles is also outstripping the national average.
- 29. The only area of concern at present is an increase to the average number of Jobseeker Support recipients in Hamilton over the past year, which could partly be to do with population growth outstripping growth in jobs. A continuation of strong economic growth would see this trend revert out over the coming quarters.
- 30. Further details of the Infometrics data can be found at the following link. <https://ecoprofile.infometrics.co.nz/Hamilton%20City/QuarterlyEconomicMonitor/Overview>

31. Financial and Resourcing Implications

32. Nil

33. Risk

34. Nil

Signatory

Authoriser	Kelvyn Eglinton, General Manager City Growth
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Committee: Business and Investment
Subcommittee

Date: 29 June 2016

Report Name: Policy Review - Municipal
Endowment Fund Deployment
Policy

Author: Nicolas Wells

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan Economic Development Agenda</i>
Financial status	<i>There is \$60,000 budget allocated - \$42,072 spent</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is considered not to have a high degree of significance</i>

1. Purpose of the Report

- To approve the reviewed Municipal Endowment Fund Policy and consider a future model of MEF management and application to maximise the strategic benefit of the fund.

3. Executive Summary

- The Municipal Endowment Fund Policy has been restructured to allow Council to enable the fund to be applied to a broader range of “municipal purposes” including consideration of wider public benefits which are consistent with long-term Council plans.
- The policy requires approval by the Business and Investment Subcommittee for recommendation to the Strategy and Policy Committee for adoption.

6. Recommendations from Management

- That the report be received;
- That the Business and Investment Subcommittee recommends the Municipal Endowment Fund Policy reviewed 29 June 2016 to the Strategy and Policy Committee; and
- That the Business and Investment Subcommittee consider a model of management of the MEF to be recommended to the Strategy and Policy Committee.

7. Attachments

8. Attachment 1 - Municipal Endowment Fund Deployment Policy - FINAL
9. Attachment 2 - Municipal Endowment Fund Deployment Policy - TRACKED CHANGES
10. Attachment 3 - PWC Final Draft Municipal Endowment Fund Report (*Under Separate Cover*)

11. Key Issues

12. Background

13. The Municipal Endowment Fund (MEF) properties were given to the Council by the government in the 1870s. Deployment of these assets is subject to the Local Government Act 2002 and Council policy. MEF assets and income are to be deployed for “municipal purposes”.
14. Between 1989 and 1998 the MEF was administered by Hamilton Properties Limited (HPL) a 100% Council-Controlled Organisation (CCO). HPL undertook commercial and community developments including the Tainui Novotel, the BNZ building and several library developments.
15. The MEF is currently administered by Council staff within the Strategic Property Unit and consists of property and cash with a total value of approximately \$42 million.
16. PricewaterhouseCoopers (PWC) has been engaged to review deployment of the MEF and provide options to maximise the fund’s benefit to the city. The review includes historical information, and case studies on how other councils use their endowment funds.
17. Two workshops and a Councillor briefing have considered potential options to utilise the MEF, and to provide guidance to staff for the policy review. The May 2016 Business and Investment Subcommittee resolved that staff report back with a draft revised policy and options for a structure (HPL or similar model) to maximize support for municipal purposes in the city.
18. Based on the workshops and briefing, and the PWC report, a draft policy is attached to govern the deployment of the MEF.
19. The recommendations above acknowledge key principles in the Local Government Act 2002:
 - The common law principle of endowment requires the preservation of the capital.
 - Policy can be changed by Council as long as it provides for a municipal purpose.
20. This report includes the key attributes to consider when deploying the MEF, including:
 - The expected levels of return from investment.
 - The requirement to use the fund for municipal purposes aligned to the strategic objectives of the Council.
 - The types of investment activities acceptable to Council.
 - The most suitable governance and management structure.

21. Policy Review

22. The Strategy and Policy Committee delegated review of the Municipal Endowment Fund Deployment Policy to the Business and Investment Subcommittee. The policy was first established in 1998 and has remained fundamentally unchanged since then. The last review was in April 2009.

23. The Municipal Endowment Fund Deployment Policy is required because it:
 - Sets out criteria for the investment and management of the Municipal Endowment Fund,
 - Provides transparency for community and certainty to potential development partners,
 - Allows the MEF to be utilised to unlock the strategic benefit to the city.
24. The Municipal Endowment Fund Policy has been restructured and:
 - Replaces a single financial target with a broader range of deployment options
 - Expands the use of the fund and emphasises municipal purposes for investment
 - Supports Council’s strategic intent aligned with Council’s strategic plans
 - Allows greater partnership with private sector expertise
 - Allows consideration of alternative governance and delivery models – including CCO
25. PWC has recommended the changes to the Municipal Endowment Fund Policy described in this report as a precursor to maximising the strategic benefit of the fund.
26. The remaining minor changes are intended to clarify the policy by writing in plain english, and simplify the policy by eliminating unnecessary content. The changes are summarised below and shown in detail in attachment 2.
 - Name changed
 - Format changed
 - Duplication of content eliminated
27. Process
28. If the policy is approved by the Business and Investment Subcommittee it will require legal review. Once this review has been completed the policy will be submitted to the Strategy and Policy Committee meeting in August 2016 for approval.

29. Overview of Considerations

30. Use of the fund
31. A common principle for deploying endowment funds across all case studies (including HPL) is the active investment of the fund producing income which is used to advance the purposes of the endowment - for the MEF this means “municipal purpose”. The definition of municipal purpose is broad. Deployment of the MEF should be aligned to the strategic intent of Council.
32. The PWC report identified the differing ways endowment funds have been invested by various Councils to achieve strategic objectives. Most usually the endowment funds have been invested to maximise returns with the income applied either as an alternative income stream to Council, or to fund strategic purposes and projects, or to build a future growth fund.
33. However the policy allows Council to accept a lower than maximized yield in return for initiating a project that has wider municipal benefit, as noted in all report case studies.
34. In all case studies a portion of the fund principal has been utilised as capital to initiate strategic developments usually by way of joint partnership alongside a private investor. This enabled strategic projects to occur earlier than planned, bridge a confidence gap in city investment and activate public interest projects that stimulate ongoing private investment.
35. Hamilton City Council has key strategic documents that direct the utilisation of the MEF. The policy makes strong reference to the strategic objectives of the Council in this regard.

36. Expected level of return
37. The current cash assets of the fund (\$28.6m or 66% of the fund) are offset against debt providing a passive approach not actively invested to generate a greater return.
38. The targeted rate of return for investment of the cash is as a minimum equal to, or greater than, the current cost of debt to Council (5.5% per annum).
39. The remaining 44% of the MEF (three properties valued at \$10.5million) yields a gross rental of 8.1%. The PWC report projects the future rate of return across the MEF to be 6.1% gross (based on current portfolio rental and debt offset).
40. The HPL model (development and investment activities) returned an average 12.1% per annum over an eight year period.
41. All case studies within the PWC report target returns to achieve a greater than market return.
42. In consideration of the above and current market conditions across development, investment and managed funds it is considered that the target for a return be set at 7% gross per annum.
43. The policy allows for Council to accept a lower than maximized yield in return for initiating a municipal purpose that has wider municipal benefit or achieves a strategic outcome.
44. Investment activities
45. The Investment activities chosen for the MEF will be dependent on the identified municipal purpose, the targeted rate of return desired and risk appetite.
46. There are three principal investment vehicles:
- Cash – applied to offset debt or held on term deposit
 - Managed Funds
 - Development activities – either as investment or development (most usually in property), and either as a joint venture or a lone venture.
47. The policy envisages a mix of investment activities across the three categories, the final balance of which will be determined by those purposes the MEF is applied.
48. Governance and management structure
49. There are two models for the Governance and management for the utilisation of the MEF.
- 50. Model 1 – Within Council**
51. This model provides low cost administrative options across all investment activities.
52. The ability to utilise the MEF for municipal purposes could be subject to potential short-term changes in Council's priorities - leading to a reduction in certainty and corresponding reduction in potential joint venture partners willing to combine with Council on strategic projects. There is a perception that Council's ability to be agile on opportunities and finalise deals is hampered by Council's approval process, which again limits potential JV partners.
- 53. Model 2 – CCO**
54. A number of critical success factors have been identified through the experience of HPL and other Council's CCO, including:
- Independent Board members with relevant experience and contacts in the private sector with appropriately skilled and qualified management;
 - Where appropriate, partnering with the private sector through joint ventures;
 - A stable long-term approach, achieved through clearly set objectives and separation from changing priorities and the ability to make timely decisions to take advantage of opportunities.

Item 7

- 55. The nature of investment will be driven by the strategic objectives set by Council and influenced by the relationship between maximizing returns and wider municipal benefit.
- 56. The statement of objectives under which HPL operated remain relevant, with the addition of targeting development which drive economic activity aligned to Council’s strategic plans.
- 57. The income earned by the CCO could either be paid back to Council as a dividend and applied to a chosen municipal purpose, or retained by the CCO and reinvested.
- 58. In all case studies the Councils had vested the responsibility for the management of their endowment funds to a CCO – funds were not transferred in ownership due to legal constraints.
- 59. The memberships of each of the case studies Governance were variations on a theme. In all cases the board was absent political representation from Council however Council CEOs or an appointed executive were allocated a seat in two instances. In all examples the Chairperson was an independent with appropriate business skills and acumen.
- 60. MEF Strategy
- 61. Currently Council does not have a strategy in relation to utilizing the capital and returns from the MEF. Clear strategic objectives should be set. These objectives will ultimately determine where how MEF is invested and what vehicle is required to best achieve strategic intent.
- 62. At a high level the objectives need to clearly communicate the municipal purpose, which will influence the best model to govern and manage the fund investment activities and in turn set the target for returns, related balance of investment activities and allocation of income.
- 63. Summary
- 64. That a strategy is developed, for identifying key strategic municipal purposes for which the MEF would be applied, utilising the Council strategic documents.
- 65. That this strategy guides the establishment of a CCO model of governance and management of the MEF which in turn would determine the best mix of investment activities to meet the strategy outcomes on behalf of Council.
- 66. Detailed work on the establishment of such governance and management model (ie statement of Intent, selection processes, reporting frameworks etc.) would need further consideration by staff should this model be acceptable and adopted through Council process.

67. Financial and Resourcing Implications

- 68. \$39,697 has been spent to date on the project for consultant support.

69. Risk

- 70. Making no changes to the policy risks leaving Council with a policy that is not written in plain english and is more complicated than it needs to be. The reviewed policy has been re-written to eliminate the risk of confusion and to provide clarity.
- 71. If no policy was approved Council would be unable to alter how the MEF is utilised.

Signatory

Authoriser	Kelvyn Eglinton, General Manager City Growth
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First adopted:	26 August 1998
Revision dates/version:	29 June 2016, 8 April 2009, 10 December 2008, 10 March 2008, 6 July 2005, 6 November 2002
Next review date:	29 June 2019
Engagement required:	No
Document number:	D-2157562
Associated documents:	Freeholding of Council Endowment Land Policy; Sale and Disposal of Council Land Policy
Sponsor/Group:	General Manager City Growth

Municipal Endowment Fund Deployment Policy

Purpose and Scope

1. To provide strategic guidance for the deployment of the capital and returns from the Municipal Endowment Fund.
2. This policy applies to the cash and commercial property assets of the Municipal Endowment Fund.
3. This policy does not apply to Municipal Endowment land subject to a perpetual ground lease.

Principles of Policy

4. The key common law principle of an endowment is the preservation of capital without which there would be no purpose for the endowment.
5. The Municipal Endowment Fund must be deployed for municipal purposes – which may include consideration of wider public benefits which are consistent with long-term Council plans.
6. To examine the feasibility of partnering with the private sector to deliver key municipal purpose developments aligned to Council’s strategic plans.
7. The Municipal Endowment Fund is to be deployed to support priority municipal purposes within the city.

Policy

8. The assets of the Municipal Endowment Fund must be invested across a range of mechanisms including cash, property and managed funds.
9. The assets of the Municipal Endowment Fund must achieve a targeted minimum return equivalent to the Council’s prevailing cost of debt (to avoid any immediate rates impact through reduced distributions to Council). Any income generated above the minimum return (“surplus income”) will be available for;
 - a. Reinvestment, or
 - b. Alternative Municipal Purposes approved by Council which will have a demonstrable public benefit.
10. Land can be purchased and commercial properties developed for strategic purposes consistent with Council’s strategic direction provided;
 - a. A minimum return equivalent to the Council’s prevailing cost of debt is likely to be achieved over the life of the development, or
 - b. The overall fund continues to deliver the minimum required.

11. To support Council's strategic direction key development projects will be identified which will act as a catalyst for additional development by:
 - a. Partnering with the private sector to undertake development which is consistent with this policy, and by doing so initiate key development projects;
 - b. Utilising surplus income and the Domain Endowment Fund to transform public spaces and;
 - De-risk associated Municipal Endowment Fund commercial development activity;
 - Act as a catalyst for private sector development.
12. Land purchased for strategic reasons will not be held to the minimum return requirements.

First adopted:	26 August 1998
Revision dates/version:	8 April 2009, 10 December 2008, 10 March 2008, 6 July 2005, 6 November 2002; 29 June 2016
Next review date:	29 June 2019
Engagement required:	No
Document number:	D-2157562
Associated documents:	Freeholding of Council Endowment Land Policy; Sale and Disposal of Council Land Policy
Sponsor/Group:	Growth Group General Manager

Deleted: Deputy Chief Executive



MUNICIPAL ENDOWMENT FUND DEPLOYMENT POLICY

Deleted: INVESTMENT

Purpose and Scope

1. To provide [strategic guidance](#) for the [deployment](#) of the [capital and returns from the](#) Municipal Endowment Fund,
2. [This policy applies to the cash and commercial property assets of the Municipal Endowment Fund.](#)
3. [This policy does not apply to Municipal Endowment land subject to a perpetual ground lease.](#)

Deleted: criteria

Deleted: investment and management

Deleted: and to ensure that objectives of the Municipal Endowment Fund Investment Policy are consistent with Council's objectives and with the Long Term Council Community Plan

Principles of Policy

4. [The key common law principle of an endowment is the preservation of capital without which there would be no purpose for the endowment.](#)
5. [The Municipal Endowment Fund must be deployed for municipal purposes – which may include consideration of wider public benefits which are consistent with long-term Council plans.](#)
6. [To examine the feasibility of partnering with the private sector to deliver key municipal purpose developments aligned to Council's strategic plans.](#)
7. [The Municipal Endowment Fund is to be deployed to support priority municipal purposes within the city.](#)

Policy

8. [The assets of the Municipal Endowment Fund must be invested across a range of mechanisms including cash, property and managed funds.](#)
9. [The assets of the Municipal Endowment Fund must achieve a targeted minimum return equivalent to the Council's prevailing cost of debt \(to avoid any immediate rates impact through reduced distributions to Council\). Any income generated above the minimum return \("surplus income"\) will be available for:](#)
 - a. [Reinvestment, or](#)
 - b. [Alternative Municipal Purposes approved by Council which will have a demonstrable public benefit.](#)
10. [Land can be purchased and commercial properties developed for strategic purposes consistent with Council's strategic direction provided;](#)

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a. A minimum return equivalent to the Council’s prevailing cost of debt is likely to be achieved over the life of the development, or

b. The overall fund continues to deliver the minimum required.

11. To support Council’s strategic direction key development projects will be identified which will act as a catalyst for additional development by:

a. Partnering with the private sector to undertake development which is consistent with this policy, and by doing so initiate key development projects;

b. Utilising surplus income and the Domain Endowment Fund to transform public spaces and;

- De-risk associated Municipal Endowment Fund commercial development activity;
- Act as a catalyst for private sector development.

12. Land purchased for strategic reasons will not be held to the minimum return requirements.

Deleted: <#>The Municipal Endowment Fund is invested in commercial properties and income from the fund is used to reduce the rates requirement of the City. The fund is required by legislation to be invested in commercial property in order to maximise the return to the City. ¶
 Specific objectives are to:¶
 <#>Maximise the returns on the Municipal Endowment Fund investment through property rental income and capital appreciation.¶
 <#>Maintain the real value of the Municipal Endowment Fund investment and distribute maximum returns to Council or in accordance with guidelines as otherwise determined by Council from time to time.¶
 <#>Manage properties in a professional and ethical manner ensuring compliance with legal and best practice requirements.¶
 <#>Manage the Municipal Endowment Fund investment in a prudent manner to minimise specific property and portfolio risk exposures.¶
 <#>At the time of new acquisition have an investment plan which provides clear guidance covering types of properties, their location and approved activities of tenants.¶
 <#>Operate sound control practices to prevent unauthorised transactions.¶
 <#>Provide timely, accurate and understandable information to Council on financial and other matters relating to the Municipal Endowment Fund investment.¶
 <#>The Municipal Endowment Fund investment resources are to be principally held in property, however, money will be available from time to time for internal borrowing or be deposited in a bank account while awaiting re-investment. All property is to be wholly owned by the Hamilton City Council and be capable of sustaining returns as required by the objective of this policy.¶
 <#>All rental income and interest earned on any funds deposited in a bank account or invested in internal borrowing will be recorded as Council income, and used to contribute to the rates requirement of the city.¶
Acquisition and Disposal of Property¶
 <#>Open market transaction evidence, accompanied by independent registered valuations and financial analysis supporting the recommendations are necessary. Disposal of property will be in accordance with any requirements of the Local Government Act 2002. ¶
 <#>Council may dispose of property held in trust or as an endowment if it has first included in the long-term council community plan a statement of its intention to sell the property (and the use to which the proceeds will be put) and has adopted that plan. ¶
 <#>The Council will look to take advantage of market conditions or commercial opportunities (if necessary by amending the LTCCP using the special consultative procedure). Any sale shall be at current market value based on independent valuation.¶
 Principles for Investment¶

Resolution to Exclude the Public
Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Business and Investment Subcommittee - Public Excluded Minutes - 23 May 2016) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Business and Investment Subcommittee - Public Excluded Action List - 29 June 2016)	
C3. Hotel Developments in Hamilton City		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C3.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)