

Notice of Meeting:

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

Date: Thursday 10 December 2015
Time: 1.30pm
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Council OPEN AGENDA

Membership

Chairperson	Her Worship the Mayor J Hardaker
Deputy Chairperson	Cr G Chesterman
Members	Cr M Forsyth
	Cr M Gallagher
	Cr K Green
	Cr A King
	Cr D Macpherson
	Cr G Mallett
	Cr A O'Leary
	Cr R Pascoe
	Cr L Tooman
	Cr E Wilson
	Cr P Yeung

Quorum: A majority of members (including vacancies)

Meeting Frequency: Monthly

Jude Pani
Democracy Manager

4 December 2015
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Jude.Pani@hcc.govt.nz
www.hamilton.govt.nz

Terms of Reference:

- To carry out leadership functions including advocacy and facilitation on behalf of the community.
- To exercise all non-delegatable and non-delegated functions and powers of the Council.
- To make those decisions which are required by legislation to be made by resolution of the local authority.
- To consider any matters referred to it from any of the Standing or Special Committees.
- To authorise all expenditure not delegated to staff or other Committees.
- To receive the Council Risk Register and legal issues reports.
- To receive reports from the Audit & Risk Committee.
- To develop and approve the draft Long Term Plan (LTP) (including any amendments or variations) and Annual Plans (including the Budget and Funding and Financial policies); ensure their effective communication to the community; hear submissions and approve the final plan.
- To approve the Hamilton Plan and to retain overview of it through setting direction on key strategic projects and receiving regular reports on its overall achievement
- Make decisions in respect of District Plan matters.
- The authority to agree to settle and submit draft consent orders to the Environment Court relating to an appeal on a Proposed District Plan, Plan Change, Plan Variation or Notice of Requirement to designate land or for a heritage order, or a resource consent application.
- The authority to reject a private plan change request.

Financial:

- To determine all financial matters not delegated.
- To receive reports of the exercise of financial delegated authority pursuant to the Public Bodies Contracts Act 1959.
- To approve Council's borrowing programme and treasury management strategy.
- To undertake the statutory audit processes and to consider and approve the external audit arrangements, to receive the Auditor's reports and to approve the audited annual report.

Procedural Matters:

- Delegation of all Committee powers.
- Adoption of Standing Orders.
- Confirmation of all Standing and Special Committee minutes.
- Approval of Special Orders.
- Employment of Chief Executive, setting of the Chief Executive's performance targets and review of the Chief Executive's Performance and Remuneration (in accordance with the Employment Agreement).
- Other Delegations.

Opening Prayers will be led by Malathi Vasudevan from the Hindu Community - Sri Balaji Temple Trust in Frankton

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1 Apologies

2 Confirmation of Agenda

The Council 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.

4 Public Forum

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for three minutes or longer at the discretion of Her Worship the Mayor.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Council Democracy Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Democracy by telephoning 07 838 6772.

Committee: Council

Date: 10 December 2015

Report Name: Council Minutes - Open - **Author:** Jude Pani
26 November 2015

Status	<i>Open</i>
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1. Recommendation

That Council confirms and adopts as a true and correct record the Open Minutes of the Council Meetings held on 26 November 2015.

2. Attachments

- Attachment 1 - Council Minutes - Open - 26 November 2015

Council

OPEN MINUTES

Minutes of a meeting of the Council held in Council Chamber, Municipal Building, Garden Place, Hamilton on Thursday 26 November 2015 at 1.30pm.

PRESENT

Chairperson	Her Worship the Mayor J Hardaker
Deputy Chairperson	Cr G Chesterman
Members	Cr M Forsyth
	Cr M Gallagher
	Cr A King
	Cr D Macpherson
	Cr G Mallett
	Cr A O’Leary
	Cr R Pascoe
	Cr L Tooman
	Cr E Wilson

In Attendance	Richard Briggs – Chief Executive
	Chris Allen –General Manager City Infrastructure
	Sean Murray – Executive Director H3 and Events
	Debra Stan-Barton – Acting General Manager City Environments
	Lance Vervoort – General Manager Community
	Blair Bowcott – Executive Director Special Projects
	Paul Conder – Acting General Manager Corporate
	Kelvin Powell – City Safe Unit Manager
	Luke O’Dwyer – City Planning Manager
	Sally Sheedy – Parks and Open Spaces Manager
	Deanne McManus-Emery – Community Development & Leisure Manager
	Renee McMillan – Team Leader Planning & Assets

Also In Attendance	James MacGillivray – Tomkins Wake for Item 10.
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Committee Advisors	Mrs Jude Pani and Mrs Mary Birch
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Opening Prayers and Acknowledgements

The Opening Prayers were led by Andrea Haines from St. Peter’s Anglican Cathedral.

Her Worship the Mayor Hardaker acknowledged the recent award received by Hamilton City Council's Playgrounds of the Future Plan. It received the Outstanding Research, Planning and Policy Award from the New Zealand Recreation Association. She congratulated staff on this achievement.

13. Apologies

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

That apologies from Councillors Green and Yeung, and for Councillor Macpherson for lateness, be received and accepted.

14. Confirmation of Agenda

Resolved: (Her Worship the Mayor Hardaker/Cr Chesterman)
That the Council to confirm the agenda.

15. Declarations of Interest

Councillor King declared a conflict of interest for Item C2 – Proposed District Plan Appeals Update – and indicated that he would withdraw from the Meeting when that Item was considered.

16. Public Forum

The following spoke in the public forum:

Jason Howarth spoke to Item 10 – Provisional Local Alcohol Policy – speaking against the recommendations in the staff report.

Graham Derrick, Kaiwhakahaere, Te Whaanau Roopu O Aotearoa-Komiti Maaori spoke to Item 9 – Reclassification of Enderley Park and Lake Rotokauri Park – objecting to the proposal being presented to the Council.

Councillor Wilson left the meeting at 1.43pm.

Councillor Macpherson joined the meeting at 1.45pm.

5. Council Minutes - Open - 29 October 2015

It was noted that

Page 10 – Item 7 – Waikato Sub-Regional Waters Study - the term “*touch points*” related to reports and meetings.

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

That the Council confirms and adopts as a true and correct record the Open Minutes of the Council Meeting held on 29 October 2015, with the change noted.

6. Recommendations to Council - Finance Committee Meeting 22 October 2015

Councillor Pascoe, the Chair of the Finance Committee, presented the recommendations of the Committee Meeting held on 22 October 2015. The 22 October 2015 Finance Committee Agenda is

available via the following link: <http://www.hamilton.govt.nz/our-council/meetings-and-minutes/Pages/default.aspx>

Councillor Wilson returned to the meeting at 1.55pm. He was present for voting on Item 6.

Resolved: (Crs Pascoe/Mallett)

Community Occupancy Applications

That:

- a) Council approves the granting of a new community group lease to the **Hamilton Cadet Forces Building Charitable Trust** for premises at 60 Dey Street as shown in Attachment 1 of the Committee Report, being Part Section 36 Hamilton East Town Belt, subject to the following terms and conditions:
 - i. Term – two years;
 - ii. Rent – \$2,428.13 plus GST per annum in accordance with the Community Occupancy Policy;
 - iii. All other terms and conditions in accordance with the Community Occupancy Policy and Community Occupancy Guidelines.
- b) Following s54(1)(b) of the Reserves Act 1977, Council approves the granting of a new community group lease to **Metro Judo Club Incorporated** for premises at Pembroke Park as shown in Attachment 2 of the Committee Report, being Lot 1 DPS1727 and Lot 1 DPS 70567, subject to the following terms and conditions:
 - i. Term – 10 years;
 - ii. Rent – \$4,565.50 plus GST per annum in accordance with the Community Occupancy Policy;
 - iii. All other terms and conditions in accordance with the Community Occupancy Policy and Community Occupancy Guidelines;
- c) Following s54(1)(b) of the Reserves Act 1977, Council approves the granting of a new community group lease to **Arts for Health Community Trust** for premises at Ward Park as shown in Attachment 3 of the Committee Report, being Pt Allot 11 Hamilton West Town Belt, subject to the following terms and conditions:
 - i. Term – 10 years;
 - ii. Rent – \$406.25 plus GST per annum in accordance with the Community Occupancy Policy;
 - iii. All other terms and conditions in accordance with the Community Occupancy Policy and Community Occupancy Guidelines;
- d) Following s54(1)(b) of the Reserves Act 1977, Council approves the granting of a new community group lease to **Artmakers Community Artists Trust** for premises at Ward Park as shown in Attachment 3 of the Committee Report, being Pt Allot 11 Hamilton West Town Belt, subject to the following terms and conditions:
 - i. Term – 10 years;
 - ii. Rent – \$2,431.25 plus GST per annum in accordance with the Community Occupancy Policy;
 - iii. All other terms and conditions in accordance with the Community Occupancy Policy and Community Occupancy Guidelines; and
- e) Following s54(1)(b) of the Reserves Act 1977, Council approves the granting of a new community group lease to the **Hamilton Community Men’s Shed Trust** for premises at Ward Park as shown in Attachment 3 of the Committee Report, being Pt Allot 11 Hamilton West Town Belt, subject to the following terms and conditions:
 - i. Term – 10 years;
 - ii. Rent – \$455.55 plus GST per annum in accordance with the Community Occupancy Policy;
 - iii. All other terms and conditions in accordance with the Community Occupancy Policy and Community Occupancy Guidelines.

- f) Council grants approval for the **Hamilton Community Men's Shed Trust** to locate a 20 foot storage container on the premises within the asphalt carparking area adjacent to the existing storage container for the purpose of storing materials for the use and benefit of its members subject to the storage container:
- i. being painted to match the colours of the main building;
 - ii. being kept and maintained in good clean order and condition free of graffiti and other malicious damage;
 - iii. being removed from the premises at the expiry or earlier determination of the lease.

7. Recommendations to Council - Strategy and Policy Committee - 3 November 2015

Councillor O'Leary, Chair of the Strategy and Policy Committee, presented the recommendations of the Strategy and Policy Committee meeting held on 3 November 2015. The 3 November 2015 Committee Agenda is available via the following link: <http://www.hamilton.govt.nz/our-council/meetings-and-minutes/Pages/default.aspx>

The recommendation expressed in parts was voted on in parts.

Resolved: (Crs O'Leary/Mallett)

1. Draft Public Places Policy and Bylaw for Public Engagement

That:

- a) the proposed draft Public Places Policy be approved for public engagement to commence on 2 December 2015 and close on 15 January 2016.
- b) In relation to the proposed draft Public Places Bylaw 2016:
 - i. the proposed draft Hamilton Public Places Bylaw 2016 is the most appropriate form of the bylaw;
 - ii. the proposed draft Hamilton Public Places Bylaw 2016 does not give rise to implications under the New Zealand Bill of Rights Act 1990; and
 - iii. the proposed draft Hamilton Public Places Bylaw 2016 be adopted by Council for public engagement to commence on 2 December 2015 and close 15 January 2016.
- c) The Business and Investment Subcommittee:
 - i. be delegated to hear and deliberate on submissions made to the proposed draft Public Places Bylaw 2016 and draft Public Places Policy; and
 - ii. reports a summary of the oral submissions and evidence presented on the proposed draft Public Places Bylaw 2016 and draft Public Places Policy, including recommendations, to the 16 February 2016 Strategy and Policy Committee as part of the staff report for deliberation and adoption.

Resolved: (Crs O'Leary/Mallett)

2. Election Signs Policy - Review

That the Election Signs Policy (attached as Attachment 2 in the Committee report) be deleted.

Councillors Gallagher, Macpherson and Wilson dissenting.

Resolved: (Crs O'Leary/Mallett)

3. Road Stopping - Ruakura Rd & Percival Rd

That:

- a) Council grants approval to initiate stopping the areas of Ruakura Rd and Percival Rd as indicated on Attachment 1 of the Committee report subject to:
 - i. The road stopping process be completed in terms of the Local Government Act 1974 (section 342 and 10th Schedule);
 - ii. Public consultation commencing on receipt of approval of the Minister of Land Information to stop the parts of Ruakura Rd and Percival Rd together with a survey plan approved by Land Information New Zealand for the areas of road proposed to be stopped as indicated in Attachment 1 of the Committee report;
 - iii. Any objections received from the public consultation are to be reported back to Council for consideration; and
 - iv. Closing of the roads is not to be undertaken until construction of the new agreed alternative roads are complete.
- b) The Chief Executive be delegated authority to sign all documentation relating to the road stopping process and legalisation of the land;
- c) all costs associated with the road stopping process, physical works associated with the closure and new alternative routes, transfer of existing utility services and legalisation of the land be the responsibility of Tainui Group Holdings Ltd;
- d) Council grants approval in principal for the transfer of the road area stopped to Tainui Group Holdings Ltd, upon the legalisation being completed and subject to any statutory obligations being met and also subject to the value of the land being included in a private development agreement to be reported back to Council for approval; and
- e) all costs associated with the transfer of the land to be the responsibility of Tainui Group Holdings Ltd.

Resolved: (Crs O'Leary/Mallett)

4. Road Stoppings - CDL Land New Zealand Ltd

That:

- a) an area of Brywood Rise totaling approximately 6162m², as shown on Attachment 2 in the Committee Report, be stopped in terms of the Public Works Act 1981, subject to the area being confirmed by a survey plan;
- b) the area of Brywood Rise stopped is transferred to CDL Land New Zealand Ltd in exchange for approximately 6552m² being vested in Council as road at no cost, as shown on Attachment 2 in the Committee report, subject to the area being confirmed by a survey plan; and
- c) an area of Sylvester Road totaling approximately 1265m², as shown on Attachment 3 in the Committee report, be stopped in terms of the Public Works Act 1981, subject to the area being confirmed by a survey plan;

- d) the area of Sylvester Road stopped is transferred to CDL Land New Zealand Ltd in exchange for approximately 1800m² being vested in Council as road at no cost, as shown on Attachment 3 in the Committee report, subject to area being confirmed by a survey plan;
- e) road stopping process to be completed in terms of the Public Works Act 1981;
- f) the Local Government Act road stopping process is to be completed if the Public Works Act 1981 process is unable to be complied with;
- g) all costs associated with the road stopping and land exchange processes are the responsibility of CDL Land New Zealand Ltd; and
- h) the Chief Executive be delegated authority to sign all documentation relating to the road stopping and land exchange.

8. Delegations to Positions

The Democracy Manager presented this Report for the Council to approve changes to the Delegations to Positions to reflect the recent restructure of the general manager positions. Staff noted that this policy needed rewriting, including updating the language; a comprehensive review would be completed in 2016.

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

That

- a) the report be received; and
- b) the changes to the Delegations to Positions Policy (Attachment 1 of the staff report) be approved.

The Meeting adjourned (2.22pm to 2.35pm).

9. Reclassification of Enderley Park and Lake Rotokauri Park

The Parks and Open Spaces Manager and the Community Development & Leisure Manager, presented this item on proposed changes of classification of Enderley Park and Lake Rotokauri Park following public consultation. The following was noted in response to questions, which included responses to the issues raised by Mr Derrick in the Public Forum:

- There had been one submission to the change of classification of Enderley Park in the public notification process.
- Information had been sent to Mr Derrick and staff had discussions with him on several separate occasions. A link to the Council agenda was sent to Mr Derrick and today a copy of the letter from Waikato-Tainui had been sent to Mr Derrick. A copy of this letter from Waikato-Tainui would be handed to Mr Derrick following the Council meeting.
- There were two process underway; one changing classification of the reserves, the other process relating to a review of the community facilities. It was noted that the community facilities review would be reported to Council in February 2016.
- Staff confirmed that all statutory processed and timeframes had been complied with.

Motion: (Her Worship the Mayor Hardaker/Crs Chesterman)

- a) That the report be received.
- b) That pursuant to section 24 of the Reserves Act 1977, the Hamilton City Council hereby changes the classification of that part of Enderley Park described in Schedule One, to local purpose (community facilities) subject to the provisions of the Act.

Schedule One

Reserve Name	Area (ha)	Legal Description	Computer Freehold Register
Enderley Park	0.1885	Lot 2 DPS7131	175536

- c) That pursuant to section 24 of the Reserves Act 1977, the Hamilton City Council hereby changes the classification of Lake Rotokauri Park described in Schedule Two below to local purpose (ecological management) reserve subject to the provisions of the Act.

Schedule Two

Reserve Name	Area (ha)	Legal Description	Computer Freehold Register
Lake Rotokauri Park	3.3433	Lot 20 DPS 57794	93338

The Motion expressed in Parts was voted on in Parts.

Amendment to b): (Crs Macpherson/King)

- b) That changes to the classification of part of Enderley Park be deferred until the report is presented to the February Strategy and Policy Committee

The Amendment (Crs Macpherson/King) was Put

Those for the Amendment:

Councillors Gallagher and Macpherson

Those against the Amendment:

Her Worship the Mayor Hardaker,
Councillors Chesterman, Forsyth, Pascoe,
O'Leary, King, Mallett, Wilson and
Tooman

The Amendment was declared lost.

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

That:

- a) The report be received.
- b) Pursuant to section 24 of the Reserves Act 1977, the Hamilton City Council hereby changes the classification of that part of Enderley Park described in Schedule One, to local purpose (community facilities) subject to the provisions of the Act.

Schedule One

Reserve Name	Area (ha)	Legal Description	Computer Freehold Register
Enderley Park	0.1885	Lot 2 DPS7131	175536

- c) Pursuant to section 24 of the Reserves Act 1977, the Hamilton City Council hereby changes the classification of Lake Rotokauri Park described in Schedule Two below to local purpose (ecological management) reserve subject to the provisions of the Act.

Schedule Two

Reserve Name	Area (ha)	Legal Description	Computer Freehold Register
Lake Rotokauri Park	3.3433	Lot 20 DPS 57794	93338

Councillor Macpherson dissenting to b)

10. Provisional Local Alcohol Policy

Prior to the City Safe Unit Manager and Programme Manager – Strategy introducing this Report the Democracy Manager confirmed that following the resolution from the Strategy and Policy Committee, the entire Local Alcohol Policy was being presented to the Council for consideration.

The City Safe Unit Manager advised that if the Council did not adopt a Local Alcohol Policy the provisions within the Sale and Supply of Alcohol Act 2012 would apply. All applications for liquor licenses would continue to be determined by the District Licensing Committee, with decisions around hours subject to appeal to ARLA.

Motion: (Crs O’Leary/Wilson)

That:

- a) The report be received;
- b) The proposed Provisional Local Alcohol Policy (PLAP) reflecting the three matters determined on the 3 November be adopted;
- c) Council proceeds to notify the PLAP on 27 January 2016; and
- d) The Liquor Licensing Policy and the Licensed Premises Policy be deleted from the 27 January 2016.

Amendment to b): (Crs Forsyth/Macpherson)

That:

One-way door

6. A one way door restriction will apply to on-licences in the Central City Zone from 2am (Monday to Sunday).

The Amendment (Crs Forsyth/Macpherson) was Put.

Those for the Amendment:	Councillors Gallagher, Forsyth, King, Macpherson and Tooman
Those against the Amendment:	Her Worship the Mayor Hardaker, Councillors Chesterman, Pascoe, O’Leary, Mallett and Wilson

The Amendment was declared lost.

The Meeting adjourned (3.20pm to 3.40pm).

Amendment to b): (Crs Mallett/Wilson)

That:

Maximum trading hours for “Other” on-licences

Maximum trading hours applicable to on-licences in Hamilton City are as follows for Other (Area):

Sunday-Thursday be 7am until Midnight

Friday and Saturday be 7am until 1am (the following day)

The Amendment (Crs Malett/Wilson) was Put.

Those for the Amendment:	Councillors Gallagher, Forsyth and Macpherson
Those against the Amendment:	Her Worship the Mayor Hardaker, Councillors Chesterman, Pascoe, O'Leary, King, Mallett, Tooman and Wilson

The Amendment was declared lost.

The Meeting adjourned (4.45pm to 4.50pm).**Amendment to b): (Crs Gallagher/Tooman)**

That:

Off-licence closing trading hours

11. Maximum trading hours applicable to off-licences in Hamilton City are as follows:
7am – 9pm Monday to Sunday.

Explanatory Note:

Council has reduced the trading hours from 10pm to 9pm to reduce the availability of alcohol for late evening consumption and preloading which evidence suggests is an issue during these hours.

The Amendment (Crs Gallagher/Tooman) was Put.

Those for the Amendment:	Councillors Gallagher, Forsyth, King, Macpherson, Tooman and Wilson
Those against the Amendment:	Her Worship the Mayor Hardaker, Councillors Chesterman, Pascoe, O'Leary, and Mallett

The Amendment was declared carried. The Mover and Seconder of the Motion were in agreement to incorporate this change to the Provisional Local Alcohol Policy into the Motion which was then Put.

Resolved: (Crs O'Leary/Wilson)

That:

- a) The report be received;
- b) The proposed Provisional Local Alcohol Policy (PLAP) attached to the staff report, with an amendment to clause 10 to change maximum trading hours applicable to off-licenses in Hamilton City to 7am to 9pm, be adopted;
- c) Council proceeds to notify the PLAP on 27 January 2016; and
- d) The Liquor Licensing Policy and the Licensed Premises Policy be deleted as from the 27 January 2016.

Councillor King dissenting.

11. Resolution to Exclude the Public

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

Section 48, Local Government Official Information and Meetings Act 1987

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. Council Minutes - Public Excluded - 29 October 2015) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Proposed District Plan Appeals Update) Official Information and Meetings Act 1987	

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 protect the privacy of natural persons	Section 7 (2) (a)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)

Councillors Chesterman and King retired from the meeting at 5.50pm.

Councillor O'Leary retired from the meeting at 5.55pm during the public excluded session.

The Meeting moved into a Public Excluded session (5.50pm to 6.23pm).

The Meeting was declared closed at 6.23pm.

Committee: Council

Date: 10 December 2015

Report Name: Borman Road Eastern
Extension Business Case

Author: Christopher Barton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan: Third City Economy in New Zealand Providing Outstanding Infrastructure Hamilton Urban Growth Strategy, Hamilton Economic Development Agenda, Access Hamilton, 2015-25 10 Year Plan, 2015-45 30 Year Infrastructure Strategy.</i>
Financial status	<i>There is budget allocated Amount \$2,183,000</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 not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval of the \$2.183M Business Case for a 450m extension of Borman Road, required to facilitate further residential development in Rototuna.

3. Executive Summary

- This project involves a 450m extension of Borman Road from Hector Drive to unlock approximately 40 Ha of residential development land in northern Rototuna and assist with access to the Rototuna High School and overall area once associated collector roads are also constructed.
- The total project budget is \$2.183M as allocated in the 2015-25 10 Year Plan.
- Construction is programmed to commence in mid 2016 with completion by mid 2017.

7. Recommendations from Management

That:

- The report be received; and
- The Borman Road Eastern Extension project Business Case is approved.

8. Attachments

9. Attachment 1 - Borman Road Eastern Extension Business Case

10. Key Issues

11. Background
12. The arterial roading network in Rototuna is currently incomplete, and a further extension of Borman Road minor arterial is required in order to facilitate further residential development.
13. The Borman Road extension project will also assist with providing improved access to the new Rototuna High School site and the overall Rototuna area once associated collector road linkages are constructed
14. This project is part of the staged construction of the Borman Road minor arterial, which in its entirety will link from Gordonton Road in the east, through Horsham Downs Road and Resolution Drive to Kay Road in the west when fully constructed, providing appropriate transportation network infrastructure to the Rototuna area by providing suitable arterial connections between local/collector roads and other arterial corridors.
15. Business Case
16. Council has a management policy that supports the development of robust business cases for selected projects from the 10 Year Plan.
17. The business case approach used by Council is based on the Treasury 2010 Better Business Case (BBC) model which now has wide acceptance throughout New Zealand.
18. The BBC is a five case model incorporating:
 - Strategic case – a compelling case for change, strategic fit and business needs
 - Economic case – preferred option that optimizes value for money
 - Commercial case – Commercially viable over the project term
 - Financial case – affordable from available funding
 - Management case – achievable and can be successfully delivered
19. Staff are seeking Council approval of this business case due to the significance of the project and the capital cost involved.
20. Strategic Case
21. The project will support planned growth in the Rototuna area which is consistent with the Hamilton Urban Growth Strategy and the District Plan.
22. This project aligns with the Hamilton Plan including providing outstanding infrastructure and supporting economic development and growth in line with the goal of becoming the third economy in New Zealand.
23. Economic Case
24. The business case supports the preferred option which is to construct a 450m extension of Borman Road as part of the staged full construction of Borman Road.
25. Commercial Case
26. The business case supports the view that the project is commercially viable over the project term and that it can be delivered using a mixture of core in house resources from the City Development Unit supplemented with specialised resources from the professional services panel and physical works contractors procured through a conventional contract.

- 27. Financial Case
- 28. Current estimates indicate sufficient funding is available in the 2015-25 10 Year Plan financial allocations to complete the project as scoped.
- 29. A summary of the financial details are set out in the Financial and Resourcing Implications section of this report. Section 4 of the business case further describes the financial details for this project.
- 30. Management Case
- 31. This project will be delivered using an appropriate management structure with oversight through a Programme Governance Group. Section 5 of the business case describes the management details for this project.

32. Financial and Resourcing Implications

- 33. The capital cost for the Borman Road Extension project is funded within the 2015/25 10 Year Plan to a total value of \$2,183,000 as outlined in the table below:

<u>2015/16</u> Investigation, design and commencement of construction	\$813,000	<ul style="list-style-type: none"> • \$210k - Roading Upgrades and Development in Rototuna (CE15092) • \$447k - Rototuna Stormwater Infrastructure (CE15059) • \$117k - Rototuna Water Infrastructure (CE15126) • \$39k - Rototuna Wastewater Infrastructure (CE15105)
<u>2016/17</u> Construction	\$1,354,000	<ul style="list-style-type: none"> • \$1,126k - Roading Upgrades and Development in Rototuna (CE15092) • \$95k - Rototuna Water Infrastructure (CE15126) • \$133k - Rototuna Wastewater Infrastructure (CE15105)
<u>2017/18</u> Project Closeout	\$16,000	<ul style="list-style-type: none"> • \$16k - Roading Upgrades and Development in Rototuna (CE15092)
Total	\$2,183,000	

- 34. Consequential project operational and maintenance costs have also been allowed for and are included in current 10 Year Plan allocations.

35. Risk

- 36. Section 1.12 of the business case includes a summary of the identified risks for this project together with a high level summary of the proposed risk treatments to mitigate those risks. A list of key assumptions is included in section 1.14 of the business case.
- 37. There are a set of key risks generally relating to higher than expected costs and/or delays arising from the findings of further investigation and design works. Estimate reviews are planned at key milestones to enable confirmation from Council about proceeding with the project if additional funding is required.
- 38. There are also some risks that involve third parties such as co-ordination with development timeframes, which could have an impact on project timeframes.

Signatory

Authoriser	Chris Allen, General Manager City Infrastructure Group
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Hamilton City Council Business Case Case Details

Borman Road Eastern Extension

HAMILTON CITY COUNCIL BUSINESS CASE SUMMARY

Summary

Business Case Name Borman Road East Extension

Business Case Type (choose from list) Full

Business Case Focus (choose from list): Address issue

Risk Rating (circle from list) Medium

Financial Commitment

Gross capital expenditure budget of \$2,183,000 allocated in the 2015-25 10 Year Plan:

- 2015/16 - \$813,000
- 2016/17 - \$1,354,000
- 2017/18 - \$16,000

Consequential project operational costs have also been incorporated in 2015-25 10 Year Plan financial allocations. Further details are provided in Section 4.0 – Financial Case.

Executive Summary

The Borman Road eastern extension project involves the extension of the existing Borman Road minor arterial road and associated strategic water, wastewater and stormwater services by 450m, to facilitate further residential development in Rototuna.

Construction of the Borman Road Extension provides strategic infrastructure servicing to unlock approximately 40 hectares of further residential development, acknowledging that further land development in the form of associated collector and local road construction with further water, wastewater and stormwater servicing would be required by the development community to realise the benefits of city growth.

The Borman Road extension project also assists with providing improved access to the new Rototuna High School site and the overall Rototuna area once associated collector road linkages are constructed.

This project is part of the staged construction of the Borman Road minor arterial, which in its entirety will link from Gordonton Road in the east, through Horsham Downs Road and Resolution Drive to Kay Road in the west when fully constructed, providing appropriate transportation network infrastructure to the Rototuna area by providing suitable arterial connections between local/collector roads and other arterial corridors.

Construction of the Borman Road eastern extension aligns with the objectives of the Hamilton Plan, including providing outstanding infrastructure and supporting economic and population growth in line with the goal of becoming the third city economy in New Zealand.

The project is currently funded within the 2015-25 10 Year Plan, and construction is programmed to commence in mid 2016 with completion by mid 2017.

Review / Approval Summary

Prepared By Business Owner  **Date:** 11 November 2015
Chris Barton – Project Development Manager

Reviewed and Endorsed By PMO **Date:** 18 November 2015

Reviewed By SLT SLT Decision - Refer to Council	Date: 23 November 2015
Ordinary Council Meeting Resolution (adopted following Council consideration)	Date: 10 December 2015

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HAMILTON CITY COUNCIL BUSINESS CASE DETAILS

1.0 Strategic Case – complete for **ALL** business cases

Ensuring an appropriate strategic fit and making a robust case for change

1.1 Position

Where are we now - what's the issue / opportunity we are trying to address? Where do we want to be? Define clear SMART objectives that can be directly linked to your proposed outcomes (benefits)

Hamilton is a growing city, and as outlined in the Hamilton Urban Growth Strategy, the Rototuna growth cell is Hamilton's primary area for residential development. In order for Council to facilitate further growth and development, the provision of arterial roading and associated strategic 3-waters service infrastructure is required.

The arterial road network in the Rototuna area is currently incomplete, with Resolution Drive currently only constructed to Borman Road and Borman road not yet connecting to Kay Road in the west or Horsham Downs Road in the east. Refer to figure 1 below:

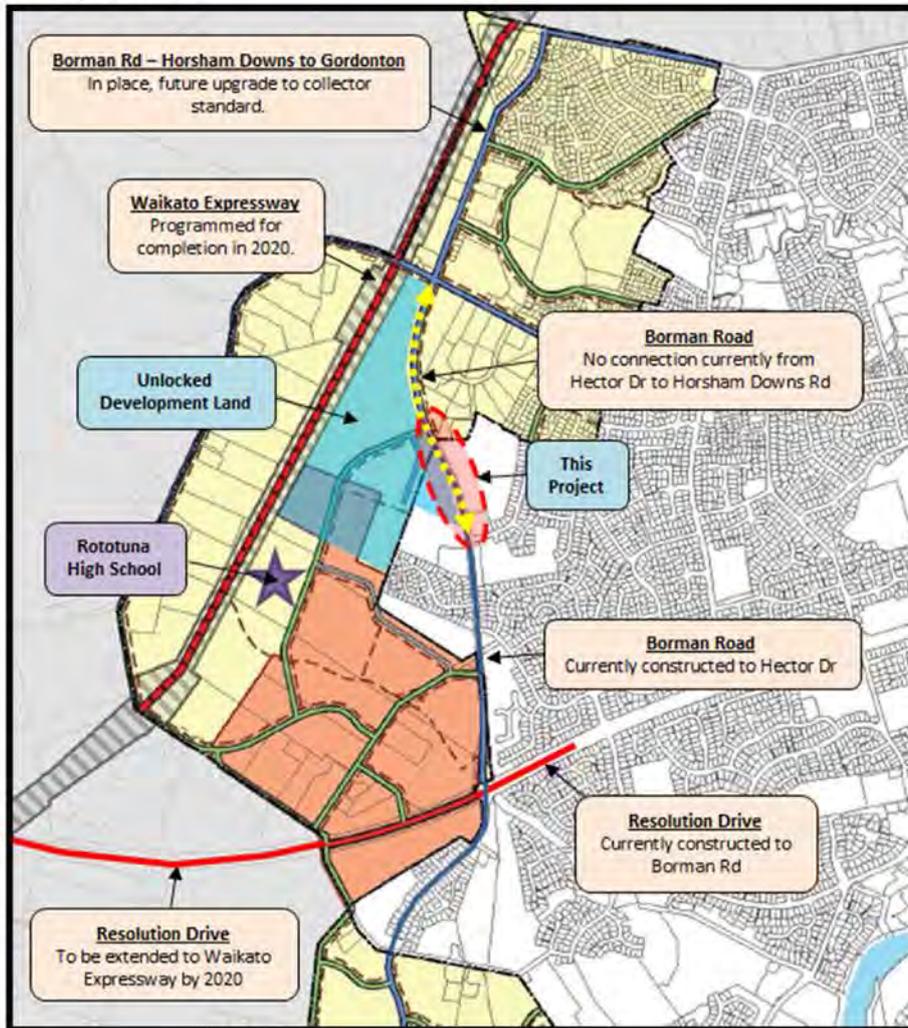


Figure 1 - Rototuna Structure Plan - Transportation Network

Borman road is a minor arterial servicing northern Rototuna and ultimately is planned to extend from Kay Road in the west to Gordonton Road in the east.

Borman Road is adjacent to the proposed Rototuna Suburban Centre, which is planned for both current and future development, including the development of the new Rototuna High School which is currently under construction and is planned to open in early 2016 (refer Figure 2 below). Upon opening, interim roading access to the Rototuna High School site will only be available via rural and local roading connections in lieu of completion of the collector and arterial networks east and west of the school, of which the Borman Road eastern extension is part. The interim arrangement will likely become sub-standard as the high school roll grows and further development of the suburban centre is progressed, which will create a strong demand for appropriate collector and arterial connections to be complete. By progressing the Borman Road Extension, Council is providing the appropriate strategic network infrastructure to facilitate future collector road development and connection by developers and/or the Ministry of Education.

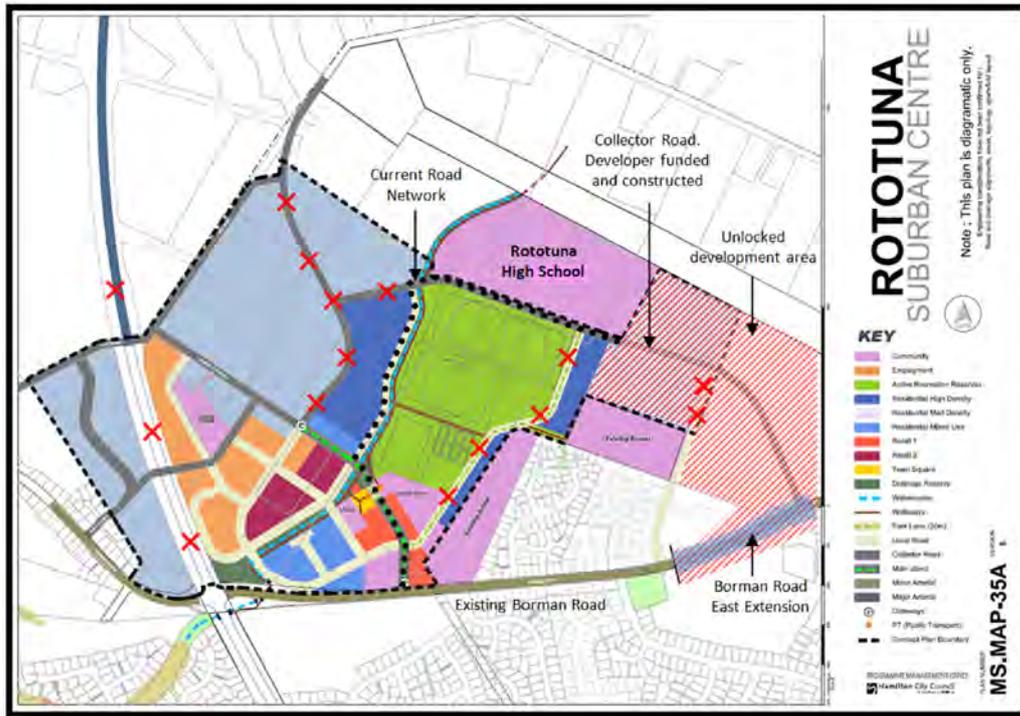


Figure 2 - Rototuna Suburban Centre Plan

There is already a designation in place for the full extent of Borman Road from Kay Road to Gordonton Road, and all required land for road construction from Hector Drive to the collector road is owned by HCC.

This project seeks to achieve two primary objectives:

- To provide appropriate transport and associated strategic water, wastewater and stormwater infrastructure to enable further residential growth in Rototuna; and
- To facilitate appropriate transportation infrastructure for effective roading network operation of the new Rototuna suburban centre, including the Rototuna High School site.

1.2 Outcomes (benefits)

What are the expected benefits that will be delivered as a result of this work - Develop these with Stakeholders along with SMART objectives and defined long term value for money this BC work will deliver

In response to the project objectives identified in Section 1.1 above, specific benefits of the proposed extension eastwards of Borman road are:

- Ensuring the facilitation of appropriate infrastructure to support residential growth.
 - The extension of Borman Road will provide transport, water, wastewater and stormwater servicing to unlock approximately 40 hectares of land for further development.

- The extension of Borman road will provide improved access to and associated development attractiveness to the Rototuna Suburban Centre and surrounding residential land. This project will facilitate growth in the community, retail and residential sectors in Hamilton's primary growth cell.
- Ensuring that Hamilton City's transportation network is co-ordinated with the proposed Waikato Expressway in terms of appropriate network architecture:
 - Further development of the arterial road network including Borman Road is in accordance with the existing structure plans, as endorsed in the 10 year plan budget allocations.
- Ensuring connectivity for the Rototuna High School and Rototuna Suburban Centre.
 - The Borman Road east extension will provide the connection for the future collector road, required to meet the MoE consent condition which requires collector network connection once the school roll reaches 1651 attendees.
 - The extension of Borman Road east is the first section towards linking Borman road to Horsham Downs road. This will ultimately provide enhanced transportation network access to the Rototuna Suburban Centre for a larger portion of the Rototuna community.

1.3 Strategic Alignment

Describe how the proposed work aligns to either individual or multiple HCC strategies

<http://www.hamilton.govt.nz/council/transport/Pages/133.html>

Strategy	Vision/Goals	Project Relevance
Hamilton Plan	The third city economy in New Zealand	The Borman Road East extension facilitates growth through the provision of roading, water, wastewater and stormwater infrastructure.
	Providing Outstanding infrastructure	The Borman Road East extension forms part of the overall Borman Road link between Gordonton Road and Resolution Drive. This minor arterial will be a crucial link when the Waikato Expressway is completed and will contribute toward an outstanding road network.
Access Hamilton Strategy	Position infrastructure and land development to meet the city's long term needs.	With this project unlocking approximately 40 Ha of development land it enables growth.
Hamilton Urban Growth Strategy	Setting Council's spatial vision for the city.	This extension of Borman road also forms part of the ultimate completion of Borman road as a minor arterial providing East/West connectivity across the Rototuna area. This project provides transport infrastructure to future proof the city's primary growth area.
Active Hamilton	People are active, spaces and facilities enable Hamilton's active communities to thrive.	Part of the proposed Borman road east extension is the incorporation of cycle and pedestrian facilities. This actively encourages the use of these modes of transport.
Hamilton 30 Year Infrastructure Strategy	Identifies proposed approaches and estimated infrastructure requirements to support realistic growth forecasts over 30 years.	This project is necessary to facilitate growth in Rototuna as outlined in the 30 year strategy.
Rototuna Structure Plan	Plan of land use types and locations, and transport corridor hierarchy	Borman Road will be constructed to a minor arterial road standard as per the Rototuna Structure plan.

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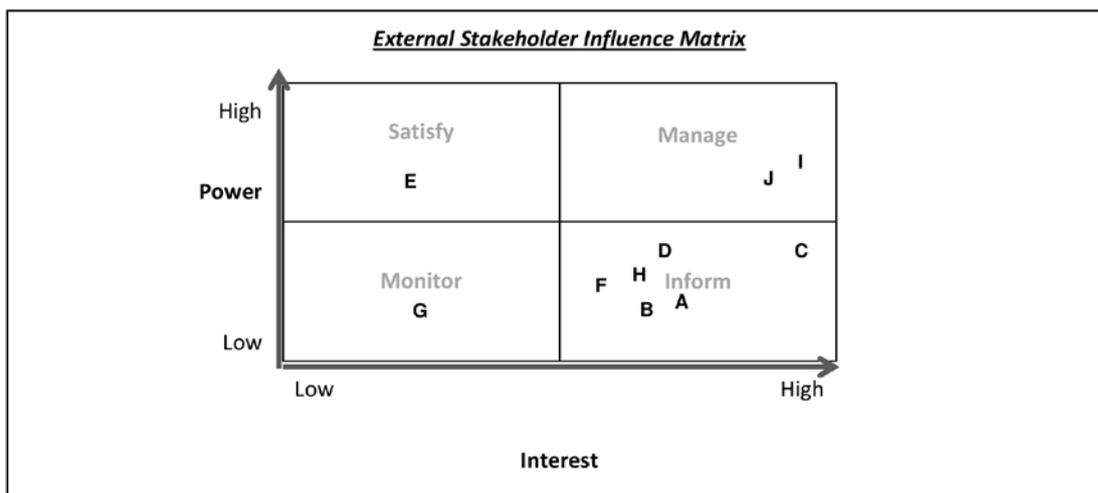
1.4 Organisational Context	
Outline how this work will assist HCC achieve its business goals (Refer HCC's Organisational Plan D-797552)	
Business Goal	Project Relevance
We Embrace Growth	<ul style="list-style-type: none"> • Deliver infrastructure solutions <ul style="list-style-type: none"> ○ This project will deliver appropriate infrastructure solutions in the form of construction of strategic transport network assets and associated connections to both respond to and facilitate city growth, in accordance with structure plans and allocated 10 year plan budgets. • Facilitate a strong economy <ul style="list-style-type: none"> ○ The extension of Borman road east provides improved access for north Hamilton's increasing population and links between residential and employment areas, as well as supporting the development of the Rototuna suburban centre. The completed project will enhance customer levels of service for safety, efficiency, access and mobility and assist with facilitating Hamilton City economic and population growth.
We are Best in Business	<ul style="list-style-type: none"> • Right People, Right Outcomes <ul style="list-style-type: none"> ○ Preliminary investigation of this project has involved effective consultation with both internal and external stakeholders to develop an effective project scope which will meet identified objectives. Moving forward staff will continue to stay engaged with the project to ensure the right outcomes for the city are delivered. • Do The Basics Well <ul style="list-style-type: none"> ○ This project delivers a basic but critical piece of infrastructure to ensure Hamilton City's transportation network continues to operate effectively. Also, ensuring appropriate project management principles are utilised throughout the implementation will ensure effective delivery of appropriate outcomes. • Financial Sustainability <ul style="list-style-type: none"> ○ Works will be delivered within existing 10 Year Plan budgets and in-line with programmed financial timeframes.
1.5 Organisational Impact	
How / where does this piece of work integrate with / impact on the rest of the organisation's activities?	
<p>The proposed project works are to be delivered utilising City Infrastructure Group resources supported by external consultants and contractors.</p> <p>It is not anticipated that construction and implementation of these works will restrict or adversely impact on any other works being delivered within Council.</p> <p>Other parts of Council will be required to support this project moving forward as part of business as usual activities:</p> <ul style="list-style-type: none"> • Finance Team – Project financial management including forecasting and reporting. • Communications Team – Facilitating communications plans, drafting media releases and ensuring • Parks & Open Spaces – Review of design plans as developed • Planning Guidance – Review of project related resource consent applications 	

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1.6 Stakeholders					
Need to be identified and their level of influence and interest in the BC needs to have been defined – use the analysis tool if helpful <i>D-1166068</i> .					
External Stakeholders					
	Stakeholder	Interest in the Project	Assessment of Impact	Strategies for Engagement	Project Engagement to Date
A	Adjacent Landowners	Potential accessibility benefits as well as noise and amenity dis-benefits	Keep Informed	-Targeted, early and ongoing communication.	-No direct communication.
B	Local Community	Potential accessibility benefits and network connectivity dis-benefits	Keep Informed	-Targeted and ongoing communication.	-No direct communication.
C	Local Developers	Development interest in unlocked growth areas	Keep Informed	-Targeted and ongoing communication.	-Discussions with key local developers
D	Service Utility Providers	Servicing requirements to new development areas	Keep Informed	-Early notification of network development and timeframes to coordinate required service installation.	-No direct communication to date.
E	Local Iwi	Ensure development in line with expectations	Keep Satisfied	-Notification of project scope prior to submitting resource consent of designation applications.	-No direct communication to date.
F	Waikato Regional Council	Ensure construction and development aligns with associated discharge consent requirements	Keep Informed	-Early notification of anticipated consent applications. -Co-ordination of required consent monitoring.	-No direct communication
G	Hamilton City Residents	Interested in overall network connectivity benefits	Monitor	-Project updates via HCC webpage -Media releases as required	-No direct communication.
H	Project Consultants	Complete design and investigation	Keep Informed	-Contractual engagements to provide scoped outcomes and deliverables	-No direct communication

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I	Rototuna School	Reliant on connectivity	Manage	- Targeted and ongoing communication.	- Continual communication on various related projects
J	Ministry of Education	Reliant on connectivity	Manage	Targeted and ongoing communication.	- Continual communication on various related projects



Internal Stakeholders

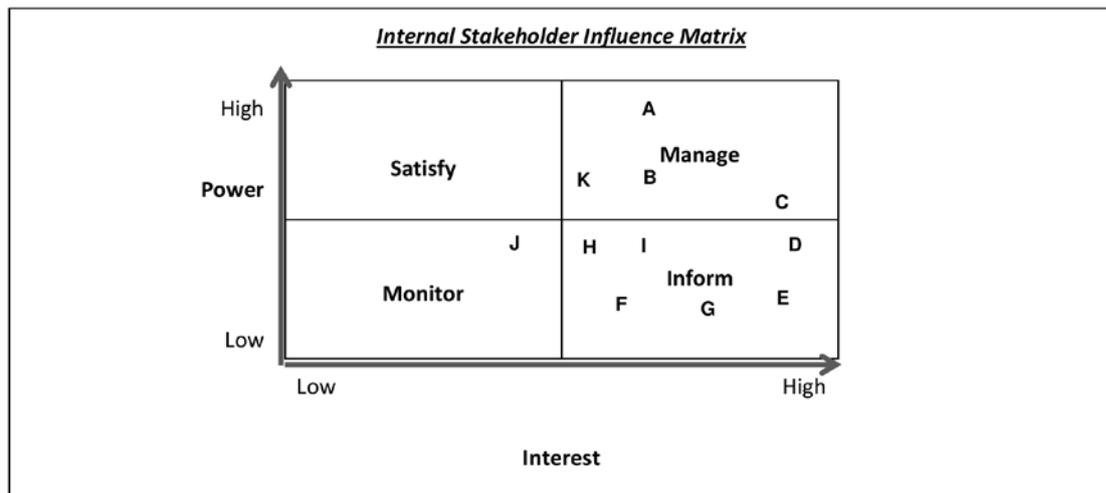
	Stakeholder	Interest in the Project	Assessment of Impact	Strategies for Engagement	Project Engagement to Date
A	Elected Members (Mayor and Councillors)	-Hamilton Plan Delivery -Compliance with strategic alignment -Compliance with 10 Year Plan budgets and timeframes -Councils Reputation	Manage Closely	-Macro scope approval through Strategy and Policy Committee - Business Case approval from Finance Committee -Regular project reporting	-No direct communication
B	Chief Executive and Senior Leadership Team	-Hamilton Plan Delivery -Compliance with strategic alignment -Delivery of Organisational Goals -Compliance with 10 Year Plan budgets and timeframes -Councils Reputation	Manage Closely	-Early communication of project scope and ongoing progress updates -Review and approval of project Business Case -Regular project reporting	-No direct communication
C	General manager City	-Delivery of	Manage	-PGG to include GM City Infrastructure,	-No direct communication

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	Infrastructure and City Infrastructure Transport and Waste Governance Group (PGG)	Organisational Goals -Compliance with 10 Year Plan budgets and timeframes -Service Delivery -Councils Reputation	Closely	UM City Development and UM City Transport. -Regular PGG updates including financial and risk information.	
D	City Development Unit – Project Development Team	-Management and delivery of project.	Keep Informed	-Identification of a dedicated project manager -Clear definition of project roles and responsibilities -Ongoing communication with all associated parties	-Dedicated project manager assigned.
E	City Transport Unit	-Will take over subsequent operation and maintenance of the new corridor. Key considerations include safety, operability and maintainability of the new road.	Keep Informed	-Early engagement regarding proposed scope -Review and approval of all design plans -Post-construction acceptance and defect liability walkovers. -Capitalisation of new assets.	-No direct communication
F	Parks and Open Spaces Unit	-Input into landscaping design.	Keep Informed	-Review and approval of all landscaping design plans.	-No direct communication
G	Finance Team	-Monitor financial performance of the project in regard to Council budgets	Keep Informed	-Confirmation of HCC 10 Year Plan financial allocations and timeframes. -Ongoing financial monitoring, forecasting and reporting.	-Early engagement regarding 10 Year Plan financial allocations and timeframes.
H	Planning Guidance Unit	-Review construction related consents in line with statutory requirements.	Keep Informed	-Early engagement regarding resource consent requirements. -Co-ordination to ensure all required information is provided.	-No direct communication to date.

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I	Communications Team	-Liaise with media -Facilitate public project update communications	Keep Informed	-Early and ongoing engagement -Development of a project Communications Plan -Development of media releases as required -Co-ordination of an HCC project webpage	-No direct communication
J	City Planning	-Ensure construction in accordance with district plan, structure plans and associated planning provisions -Updates of plans and maps post-construction	Monitor	-Early engagement to ensure alignment of scope and objectives.	-No direct communication
K	Rototuna Suburban Centre PGG	Co-ordination of timing and interaction between the road construction and the adjacent suburban centre development.	Manage Closely	-Early engagement to ensure co-ordination of development timeframes	-No direct communication



1.8 Quantitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)	1.8a KPI/Target/Frequency of reporting Also Identify the Benefit owner and who will report the KPI/ Target and Frequency (ie as 3 separate items)
Unlocking 40Ha of residential development land. <i>Benefit Owner: Strategic Growth Group</i>	KPI – Land able to be developed Target – 40Ha Frequency – Measured on project completion
<p>Realisation of benefits in terms of availability of residential sections will be reliant of further development of associated collector and local roading networks and 3-waters servicing. This further work is developer driven, and is currently anticipated to be developed in a staged approach subject to a further Borman Road eastern extension.</p> <p>Additional transportation network benefits will be highlighted in a future business case for the further extension of Borman Road to Horsham Downs Road (currently programmed for construction in 2021/22).</p>	
1.9 Qualitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)	1.9a Indicator of Success Identify the benefit owner and who specifically will report on the progress/realisation of the benefit
Once additional collector networks are constructed, provides improved roading access and network operation of the new Rototuna suburban centre, including the Rototuna High School site. <i>Benefit Owner: City Transportation Unit</i>	<u>Indicator of Success</u> Private developer road connected to Borman road linking Rototuna school road, which will create a circulating traffic flow. <u>Reporting</u> Rototuna area growth reported by Strategic Growth Group.
Citywide Economic Benefits - realised through facilitation of ongoing city growth.	<u>Indicator of Success</u> Continued development of Rototuna residential and suburban centre areas, measured by number of subdivision consents and population data. <u>Reporting</u> City population and Rototuna area growth reported by Strategic Growth Group using consent and population growth information.
1.10 Dis-benefits	1.10a Impact on the business (identify who will be impacted as a result)
Noise, vibration and amenity to adjacent landowners particularly throughout construction but also post-opening.	Potential for dis-benefit both through construction and post-opening, potentially resulting in unhappy residents or developers. Who will be impacted: Council Reputation
Possible reduction in pedestrian and cycling activity due to increased traffic.	Reduced attractiveness as a pedestrian and cycle corridor. Who will be impacted: City Transport Unit

1.11 Opportunities Arising (Identify who will own and report the opportunity)		1.11a Strategies to Exploit, Enhance &/or Share Each Opportunity		
Utility Corridor Access – including Council 3-waters services as well as external utility providers (power, gas and telecommunication)		<p>Ensure co-ordination of construction with trunk and bulk networks required to facilitate growth as outlined in 3-Waters Master Plan documents.</p> <p>Ensure co-ordination with external utility service providers via liaison meetings to enable opportunity of service installation.</p>		
1.12 Risks Identified <i>D-1030981</i> – risk statements <i>D-722311</i> – risk register template	1.12a Gross Risk Rating Council's risk calculator – <i>D-1030989</i>	1.12b Risk Trigger Points	1.12c Risk Management Approach	1.12d Residual Risk
Project costs exceed current estimates and budget allowances	High	Reviews: <ul style="list-style-type: none"> Detailed design Tender 	<i>Prevention:</i> <ul style="list-style-type: none"> Engineers estimates to be developed as part of design prior to tendering. Review designs for value for money. Procurement via public tender process to ensure competitive pricing. <i>Response:</i> <ul style="list-style-type: none"> Review of design / value engineering where required. 	Medium
Scope creep resulting in cost increases or time delays	Low	Reviews <ul style="list-style-type: none"> Concept design Detailed design Construction 	<i>Prevention:</i> <ul style="list-style-type: none"> Robust scope development at concept stage. Early agreement on scope. <i>Response</i> <ul style="list-style-type: none"> Contingency fund 	Low
Stormwater management devices required.	High	Scheme Assessment	<i>Prevention</i> <ul style="list-style-type: none"> Early investigation and understanding of requirements as part of scheme assessment / concept design. <i>Response</i> <ul style="list-style-type: none"> Contribute to optimisation of downstream device. 	High
Personal and public safety risk during construction	High	<ul style="list-style-type: none"> Site investigations 	<i>Prevention</i> <ul style="list-style-type: none"> Approved TMP. 	Medium

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		<ul style="list-style-type: none"> Construction 	<ul style="list-style-type: none"> Approved safety plan from successful contractor. <p><i>Response</i></p> <ul style="list-style-type: none"> Follow approved safety procedure. 	
Poor ground conditions could result in additional cost to install services and construct a suitable road.	High	Scheme Assessment	<p><i>Prevention</i></p> <ul style="list-style-type: none"> Geotechnical testing undertaken as part of design <p><i>Response</i></p> <ul style="list-style-type: none"> Contingency fund 	Medium
Environmental effects of construction activities including watercourse and ground water contamination	High	Detailed Design	<p><i>Prevention</i></p> <ul style="list-style-type: none"> Engagement with WRC to ensure appropriate mitigations and consents are in place. <p><i>Response</i></p> <ul style="list-style-type: none"> Follow RMA procedures 	Medium

1.13 Issues

Identify and describe

Integration of the project with private developer collector road which has not yet been designed.
Existing water main between Moonlight Drive and Sirius crescent is undersized and need augmentation.

1.14 Constraints/Dependencies/Assumptions

Define and describe the factors under each of the headings

Constraints

- All works must be in accordance with existing designation conditions.
- Land for construction is restricted to the existing designation footprint
- Costs to construct are to be in accordance with 10 Year Plan funding allocations

Dependencies

- The realisation of some benefits is dependent on the completion of the new collector road by the developer or the Ministry of Education.

Assumptions

- No further stormwater treatment infrastructure will be required outside the road corridor.

<p>2.0 ECONOMIC CASE – complete for ALL business cases Critical success factors & the preferred way forward</p>		
<p>2.1 Business Requirements (refer more detail in the specific notes section) Identify the requirements that must be met – Define them according to core vs desirable vs optional</p>		
<p>Core requirements:</p> <ul style="list-style-type: none"> • Construct 450m of two lane minor arterial corridor with median and shoulders to align with adjoining section as part of the future strategic road network. • Construct pedestrian and cycle facilities in line with surrounding urban areas. <p>Desirable requirements:</p> <ul style="list-style-type: none"> • Inclusion of appropriate landscaping. • Environmentally friendly design. • Co-ordinated installation of required utilities and services. <p>Optional requirements:</p> <ul style="list-style-type: none"> • Stub for future developer funded road. 		
<p>2.2 Available Options – Long List (refer more detail in the specific notes section) Consider a wide range of realistic options for meeting the business requirements. Has a feasibility study been done? You must include a base case: chose either status quo or do nothing or do minimum for this purpose</p>		
Dimension	Description	Options
Scale and scope	In relation to the proposal how big/small could this be? eg by levels of functionality, unit/group/organisation-wide	<p>Do nothing (Status Quo)</p> <p>Not constructing this section of Borman Road will constrain future residential development and will also not enable the connection point for the ‘school loop’ collector network which is a condition of the MoE development once the school roll reaches 1651 students. This would pose a reputational and potential legal risk if not constructed.</p> <p>Option 1 – Borman Road Extension from Hector to Collector</p> <p>The extension of Borman Road to the proposed collector road enables development of residential land north of Borman Road, enables connection of the ‘school loop’ collector network, and is budgeted in the 10 Year Plan.</p> <p>Option 2 – Borman Road Extension from Hector to Horsham Downs Rd</p> <p>This would not facilitate further residential development, but would provide the optimum network transportation outcome, and particularly would mitigate an existing issue with through traffic on Moonlight Drive which is currently used as an arterial road. The Borman Road extension from the</p>

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		collector to Horsham Downs is currently funded for construction in the 10 Year Plan in 2021/22.
Service Solution	How can services be provided? eg potential solutions and answers, use of technologies	At this early stage it is anticipated that the project will be delivered using a mix of existing technologies and new innovations as they are identified.
Service Delivery	Who can deliver the services? eg in-house, out sourced, alternative procurement strategies	<p>Regarding either Options 1 & 2 in Scale & Scope:</p> <p><u>In-house</u> Deliver the investigation, design and construction off this project in-house. This option is inefficient as design and construction resources are not currently available in-house.</p> <p><u>Completely outsourced</u> Deliver the investigation, design and construction of this project solely by employing external consultants. While this option is possible it would be beneficial for council to remain involved to ensure quality and integration with other projects is achieved.</p> <p><u>Combination</u> Deliver the investigation, design and construction with a combination of internal council staff, PSP consultants and external contractors as appropriate.</p>
Implementation	When can the services be delivered? eg timing and staging, big bang, phased, modular	<p>Option 1 – Borman Road Extension from Hector to Collector</p> <p>The project will be designed in the 15/16 financial year and constructed in the 16/17 financial year. Will require future construction of final extension to Horsham Downs Road as budgeted in the 10 Year Plan. No further opportunities exist to stage delivery within this scope.</p> <p>Option 2 – Borman Road Extension from Hector to Horsham Downs Rd</p> <p>Construction of full extension through to Horsham Downs Road as one project. Would potentially reduce overall project cost by delivering as one contract (likely reducing overhead costs) though would likely be marginal and would not offset the significant additional cost of borrowing. Would require reallocation of funding as Borman Road extension from the collector to Horsham Downs is</p>

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		currently funded for construction in the 10 Year Plan in 2021/22.
Funding	How can it be funded? eg Capital, operating, PPP, grant	<p>Option 1 – Borman Road Extension from Hector to Collector</p> <p>Capital budgets have been allocated within the 10 Year Plan for this construction:</p> <p>2015/16 \$813,000 2016/17 \$1,354,000 2017/18 \$16,000</p> <p>No funding adjustments should be required to currently approved funding.</p> <p>Option 2 – Borman Road Extension from Hector to Horsham Downs Rd</p> <p>Additional funding (approx. \$8M) is allocated in the 10 Year Plan to complete construction to Horsham Downs Road by 2023. Reprioritisation/advancement of funding would be required to complete this option.</p>

2.3 Preferred Option – engage with stakeholders to develop this and identify whole of life cost of the proposal
Identify the preferred option , describing strategic fit, how well it meets the business requirements and its advantages and disadvantages

The preferred option 1 is to construct the Borman Road Eastern Extension from its existing termination point near Hector Drive through to the proposed collector roading network. The extension of Borman Road to the proposed collector road enables development of residential land north of Borman Road, enables connection of the 'school loop' collector network, and is budgeted in the 10 Year Plan. The proposed cross section is a two lane urban road with pedestrian and cycle provisions.

The preferred option for delivery of this project is to utilise internal HCC resourcing to manage the project manage, engage external consultants to investigate and design, and procurement of contractors via a public competitive tender process in accordance with the HCC Procurement Policy to construct.

2.4 Potential Value for Money

Describe how the preferred option maximises value for money

The preferred option maximises value for money through:

- Eliminating future risk and cost implications by providing the strategic link for the Rototuna school collector road.
- Delivery of physical works via a public tender process.

2.5 Achievability

Outline how the preferred option will be successfully delivered

Current indications are that the project is highly likely to be delivered successfully. Budget allocations are in place, a designation is in place to facilitate construction, all required land is owned by Council, and resources with appropriate skills to successfully deliver this project are readily available from internal and external sources.

Budget - \$2,183,000

Timeframe – Completion in 16/17 financial year

2.6 Affordability
Outline how the preferred option will be funded.
As the project is incorporated in the 2015-25 10 Year Plan it has been budgeted for.
The budget is spread across three years as follows:
<ul style="list-style-type: none">• 15/16 - \$813,000 – Investigation, design, procurement and construction commencement.• 16/17 - \$1,354,000 – Construction• 17/18 - \$16,000 – Project Closeout
Further construction cost estimates will be developed as part of the design. At this stage it is understood that existing budget allocations will be sufficient to complete construction, however there is a risk that existing budget allocations may be insufficient pending detailed design and market pricing (as identified in Risk table –section 1.12).

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3.0 COMMERCIAL CASE – Complete for FULL business cases only	
Resource requirements	
3.1 Identify the resource requirements – define internal and external?	3.1a Proposed procurement strategy – the how not the what Council's Procurement Policy & Procedures Manual
<p>Internal</p> <p><u>City Development Unit</u> Project Development Team - Co-ordination with all key stakeholders to develop project scope and budgets. To provide ongoing project supervision and monitoring to ensure Council's expectations are met.</p> <p><u>City Transportation</u> Operations Team and Strategic Planner – Involved as key stakeholders through development of the project scope via the City Development project manager. Assets Team (Infrastructure Alliance) - Involved as key stakeholder through development of the project scope via the City Development project manager, and upon completion of the works will capitalise assets and carry out future maintenance and renewal of assets developed as part of this project.</p> <p><u>Parks & Open Spaces Unit</u> Planning Team - Involved as key stakeholder through development of the project scope via the City Development project manager.</p> <p><u>Planning Guidance Unit</u> Review subsequent construction related consents in line with statutory requirements.</p> <p><u>Communications Unit</u> Liaise with media and facilitate public project update communications.</p> <p><u>Finance Unit</u> Will monitor financial performance of the project in regard to Council budgets.</p> <p>External</p> <p><u>PSP Consultants</u> Design team – Provide investigation and design service in consultation with Project Development Team.</p> <p><u>Contractor</u> Construction team – Construction of road and related infrastructure in accordance with the construction drawings.</p>	<p>Overall Procurement Strategy</p> <p>In general this project will be resourced by City Infrastructure Group resources through all phases, including:</p> <ul style="list-style-type: none"> • Concept design; • Detailed Design and consenting; • Procurement of / access to land; • Procurement of physical works contracts; • Construction; • Monitoring, Surveillance and Quality Assurance; • Project closeout; and • Post implementation monitoring of outcomes. <p>Other parts of HCC will be required to support this project moving forward, as part of business as usual activities, including communications, finance, consenting and procurement etc.</p> <p>The Infrastructure Group will be supported by external consultants from the Professional Services Panel, and Construction Contractors.</p> <p>This approach has proved successful on previous projects, and therefore is proposed for North City Road.</p> <p>The PSP procurement process will be followed as necessary, and procurement plans will be developed in accordance with the Procurement and Policy Manual.</p> <p>A procurement plan will be developed for the construction phase in accordance with the HCC Procurement and Policy Manual. It is expected that the contractor will be procured through a publically advertised tender, evaluated through a price-quality method.</p> <p>There are 3-4 experienced contractors operating in the Waikato region which would be competent to carry out the works. As the sections of Waikato Expressway are beginning in a similar time frame as the anticipated project we may see local resources becoming busier. To mitigate this we will send early indication of the timing of this project. There would likely be Auckland based contractors who would submit tenders for this work.</p>

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4.0 FINANCIAL CASE – Complete for ALL business cases Affordability and funding requirements				
4.1 Description	4.2 Amount	4.3 Timing	4.4 Funding	4.5 Budget Notes
Capital Expenditure				
Total \$2,183,000 comprising:				
2015/16- Investigation, design and commencement of construction	\$813,000	2015/16 Financial Year	2015-25 10 Year Plan	Funded capital expenditure in the 2015-25 10 year plan: <ul style="list-style-type: none"> • Rooding Upgrades and Development in Rototuna (CE15092) - \$210k • Rototuna Stormwater Infrastructure (CE15059) - \$447k • Rototuna Water Infrastructure (CE15126) - \$117k • Rototuna Wastewater Infrastructure (CE15105) - \$39k
2016/17- Construction	\$1,354,000	2016/17 Financial Year	2015-25 10 Year Plan	Funded capital expenditure in the 2015-25 10 year plan: <ul style="list-style-type: none"> • Rooding Upgrades and Development in Rototuna (CE15092) - \$1,126k • Rototuna Water Infrastructure (CE15126) - \$95k • Rototuna Wastewater Infrastructure (CE15105) - \$133k
2017/18- Project Closeout	\$16,000	2017/18 Financial Year	2015-25 10 Year Plan	Funded capital expenditure in the 2015-25 10 year plan: <ul style="list-style-type: none"> • Rooding Upgrades and Development in Rototuna (CE15092) - \$16k
Total	\$2,183,000			
Annual Operating Costs				
\$50,650 comprising:				
<ul style="list-style-type: none"> • Consequential Operation and Maintenance - \$7,000 per year from 2017/18 – budget allocated in 2015-25 10 Year Plan. • Depreciation - \$43,650 per year from 2017/18 (nominal 50 year life) – budget allocated in 2015-25 10 Year Plan. 				
4.6 Comments – describe any contracting mechanisms that may apply and identify costs associated with risk. Provide any additional details on the above as appropriate				
<ul style="list-style-type: none"> • An engineers estimate will be created upon completion of detailed design. • Procurement of construction will be via public tendering which will ensure competitive market pricing. However, cost certainty and market pricing conditions cannot be confirmed at this stage, which could result in project cost escalation in excess of existing budget allocations. 				

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5.0 MANAGEMENT CASE – Complete for ALL business cases

Ensuring successful delivery

5.1 Stakeholder Engagement

Business Case Stakeholders have all been engaged to provide information for the Business case.

- City Development Unit – Project Development Team
- City Transport Unit
- Finance Team
- Planning Guidance Unit
- Communications Team
- City Planning
- Rototuna Suburban Centre PGG

Stakeholders

The following stakeholders have been engaged with:

- Adjacent Landowners
- Local Developers
- Service Utility Providers
- Project Consultants
- Rototuna School
- Elected Members (Mayor and Councillors)
- Chief Executive and Senior Leadership Team
- General manager City Infrastructure and City Infrastructure Transport and Waste Governance Group (PGG)

The following stakeholders are yet to be engaged with:

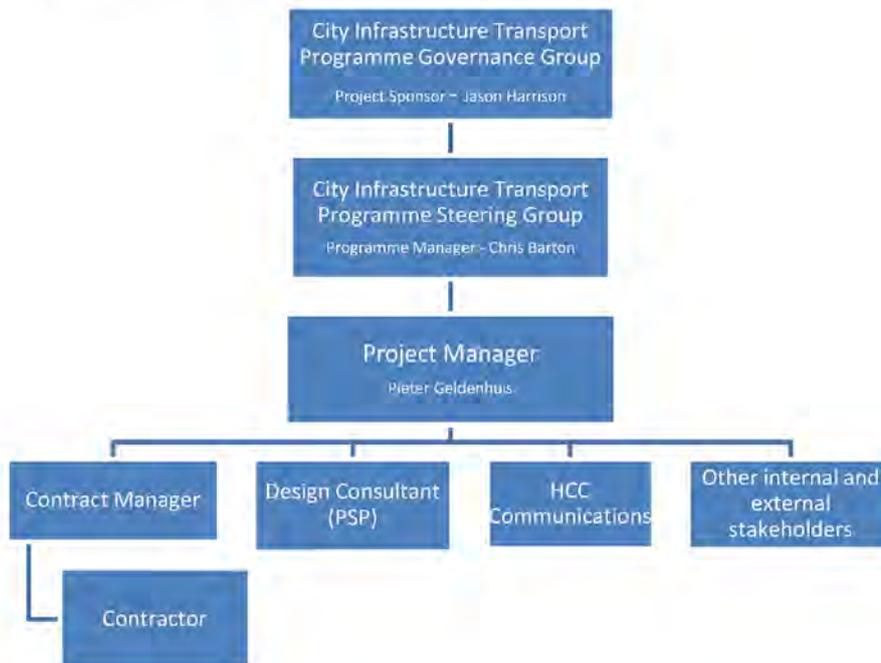
- Local Iwi
- Waikato Regional Council
- Hamilton City Residents
- Local Community

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5.2 Proposed Implementation Plan

This project will be delivered in keeping with HCC best practise project management principles and practice.

Project Governance Structure & Reporting Arrangements



Time scales

15/16 financial year – Design, procurement and construction commencement.

16/17 financial year – Construction

17/18 financial year – Project closeout

Budget

Budget allocation - \$2,183,000

Estimated project cost - \$2,183,000

Risk management

The project manager responsible for the works will identify and manage the risks associated with their specific projects. The programme manager will hold a risk register of these risks and report by exception to the Project Steering Group and Project Governance Group.

Contract Management

The contracts associated with this project will be awarded through:

- Public tender
- PSP

Consultant management

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Specialists will be engaged via the existing PSP as required for components such as:

- Investigation and detailed design
- Contract management

Consultant engagements will be managed by the Project Manager.

Closeout

A project close-out report will be completed by the Project Manager upon completion of construction. The project sponsor and City Infrastructure Transport Governance Group will be responsible for review, acceptance and approval of the completed project.

Hamilton City Council Business Case Appendices

- 1.0 Strategic Case - none
- 2.0 Economic Case - none
- 3.0 Commercial Case - none
- 4.0 Financial Case - none
- 5.0 Management Case - none

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Committee: Council

Date: 10 December 2015

Report Name: North City Road Urban Upgrade Business Case

Author: Christopher Barton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan: Third City Economy in New Zealand Providing Outstanding Infrastructure Commercial CBD & Distinctive Suburban Villages Hamilton Urban Growth Strategy, Hamilton Economic Development Agenda, Access Hamilton, 2015-25 10 Year Plan, 2015-45 30 Year Infrastructure Strategy.</i>
Financial status	<i>There is budget allocated Amount \$8,126,000</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 not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval of the \$8.126M Business Case for an urban upgrade of North City Road between Borman Road and Kay Road, required to enable development of the Rototuna Town Centre and provide access and servicing to development land in northern Rototuna.

3. Executive Summary

- This project involves an urban upgrade of 950m of the existing North City Road between Borman Road and Kay Road.
- The upgrade is required to enable development of the Rototuna Town Centre and provide access and servicing to development land in northern Rototuna.
- The total project budget is \$8.126M as allocated in the 2015-25 10 Year Plan.
- Construction is to be staged to ensure alignment with associated development programmes and timing may require adjustment pending third party agreements, actual development and consideration of network operation including access to the new Rototuna High School site.
- There is considerable third party reliance on programs for this project and this has resulted in the development of the Rototuna Town Centre Comprehensive Development plan being behind the programme anticipated when the 2015/25 10-Year Plan was finalized.
- Construction is currently now programmed to commence in late 2016 with completion by 2022. This delay in programme will result in the need for deferred capital expenditure from 2015/16 into 2016/17

10. Recommendations from Management

That:

- a) The report be received
- b) The North City Road Urban Upgrade project Business Case is approved.

11. Attachments

12. Attachment 1 - North City Road Urban Upgrade Business Case

13. Key Issues

14. Background

15. North City road is currently a rural standard road in Rototuna, which is required to be upgraded to an urban standard to enable development of the Rototuna Town Centre and enable appropriate access to development land and schools in the area, in accordance with the Rototuna structure plan and Rototuna Town Centre development plan.

16. Business Case

17. Council has a management policy that supports the development of robust business cases for selected projects from the 10 Year Plan.
18. The business case approach used by Council is based on the Treasury 2010 Better Business Case (BBC) model which now has wide acceptance throughout New Zealand.
19. The BBC is a five case model incorporating:
 - Strategic case – a compelling case for change, strategic fit and business needs
 - Economic case – preferred option that optimizes value for money
 - Commercial case – Commercially viable over the project term
 - Financial case – affordable from available funding
 - Management case – achievable and can be successfully delivered
20. Staff are seeking Council approval of this business case due to the significance of the project and the capital cost involved.

21. Strategic Case

22. The project will support planned growth in the Rototuna area which is consistent with the Hamilton Urban Growth Strategy and the District Plan.
23. This project aligns with the Hamilton Plan including providing outstanding infrastructure and supporting economic development and growth in line with the goal of becoming the third economy in New Zealand.

24. Economic Case

25. The business case supports the preferred option which is to undertake the upgrade in a staged manner, with a view to align construction with associated land development.
26. The first stage will be through the town centre area from Borman Road to Bournebrook Avenue to a main street standard. The second stage will be from Bournebrook Avenue to Kay Road to an urban collector standard.

27. Commercial Case
28. The business case supports the view that the project is commercially viable over the project term and that it can be delivered using a mixture of core in house resources from the City Development Unit supplemented with specialised resources from the professional services panel and physical works contractors procured through a conventional contract, in conjunction with associated third party agreements with developers.
29. Financial Case
30. Current estimates indicate sufficient funding is available in the 2015-25 10 Year Plan financial allocations to complete the project as scoped.
31. A summary of the financial details are set out in the Financial and Resourcing Implications section of this report. Section 4 of the business case further describes the financial details for this project.
32. Management Case
33. This project will be delivered using an appropriate management structure with oversight through a Programme Governance Group. Section 5 of the business case describes the management details for this project.

34. Financial and Resourcing Implications

35. The capital cost for the North City Road Urban Upgrade project is funded within the 2015/25 10 Year Plan to a total value of \$8,126,000 as outlined in the table below:

2015-25 10 Year Plan Budget	Total	Comment
CE15092 Roothing Upgrades and Development in Rototuna	\$6,802,000	<ul style="list-style-type: none"> • \$941,000 – 2015/16 • \$2,027,000 – 2016/17 • \$326,000 – 2017/18 • \$309,000 – 2018/19 • \$706,000 – 2019/20 • \$2,437,000 – 2020/21 • \$56,000 – 2021/22
CE15126 Rototuna Water Infrastructure	\$1,029,000	<ul style="list-style-type: none"> • \$133,000 – 2015/16 • \$268,000 – 2022/23 • \$628,000 – 2023/24
CE15105 Rototuna Wastewater Infrastructure	\$295,000	<ul style="list-style-type: none"> • \$295,000 – 2015/16
Total	\$8,126,000	

36. Consequential project operational and maintenance costs have also been allowed for and are included in current 10 Year Plan allocations.

37. Risk

38. Section 1.12 of the business case includes a summary of the identified risks for this project together with a high level summary of the proposed risk treatments to mitigate those risks. A list of key assumptions is included in section 1.14 of the business case.
39. The project is highly dependent on third party agreements and associated development programmes of the Rototuna Town Centre and surrounding residential area, which could have a significant impact on project timeframes.

- 40. Due to project reliance on third party agreements, finalisation of the Rototuna Town Centre comprehensive development plan and associated land development timeframes, current forecasts indicate that up to \$1.2M of current 2015/16 project capital funding allocations will potentially require deferral to 2016/17 (total \$1.369M in 2015/16), as works cannot progress as originally programmed.
- 41. The third party developer has yet to confirm a number of matters that will determine the timing of stage 2 from Bournebrook Ave to Resolution Drive and when this is known, changes to the projects budget timing shown in the business case will be required.
- 42. There is a risk of higher than expected costs and/or delays arising from the findings of further investigation and design works. Estimate reviews are planned at key milestones to enable confirmation from Council about proceeding with the project if additional funding is required.

Signatory

Authoriser	Chris Allen, General Manager City Infrastructure Group
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Hamilton City Council Business Case Case Details

North City Road Urban Upgrade

HAMILTON CITY COUNCIL BUSINESS CASE SUMMARY

Summary

Business Case Name North City Road Urban Upgrade

Business Case Type (choose from list) Full

Business Case Focus (choose from list): Address issue

Risk Rating (circle from list) Medium

Financial Commitment

Gross capital expenditure budget of \$8,126,000 allocated in the 2015-25 10 Year Plan:

- Roading Upgrades and Development in Rototuna (CE15092) - \$6,802,000
- Rototuna Water Infrastructure (CE15126) - \$1,029,000
- Rototuna Wastewater Infrastructure (CE15105) - \$295,000

Consequential project operational costs have also been incorporated in 2015-25 10 Year Plan financial allocations. Further details are provided in Section 4.0 – Financial Case.

Executive Summary

This business case seeks approval to complete an urban upgrade of the existing North City Road from its current rural road standard, in conjunction with associated strategic water, wastewater and stormwater servicing, in order to facilitate continued economic and population growth in Rototuna as well as providing improved access to development land and schools in the area.

North City Road is currently a 950m long rural road connecting between Borman Road and Kay Road in northern Rototuna, within the future Rototuna Town Centre area. The existing road is not appropriate to provide safe or efficient access to the land north of Borman Road which once developed will include a suburban centre with retail and commercial activities, community facilities including a proposed library and aquatic centre, schools including the new Rototuna High School, and also new residential housing.

In order to facilitate further development of the Rototuna Town Centre and associated residential land north of Borman Road, approximately 68 hectares of developable land, it has been identified that an upgrade of the existing North City Road is required, to a 'main street' standard through the town centre area at the southern end from Borman Road to Bournebrook Ave, and to a 'collector' standard in the northern section from Bournebrook Ave to Kay Road.

Through the 'main street' section, urban design considerations will be incorporated throughout the design to ensure appropriate access for all transport modes including vehicles, cycles and pedestrians, while creating an attractive town centre which encourages use of facilities and a sense of space. Appropriate consideration of multi-modal transportation will also be incorporated into design of the northern 'collector' section.



The upgrade of North City Road is in accordance with the Rototuna Structure Plan and Rototuna Town Centre Comprehensive Development Plan, and aligns with the objectives of the Hamilton Plan, including providing outstanding infrastructure and supporting economic and population growth in line with the goal of becoming the third city economy in New Zealand.

Council are normally not responsible for the development of collector roading networks in new development areas, however upgrading of North City Road is the responsibility of Council because it is an existing road, and also council community facilities will be fronting significant portions of the 'main street' section. Though Council will manage the project, adjacent land owners will also contribute to parts of the upgrade via a multi-party funding agreement, which is still to be developed. The 'collector' section will be upgraded by council, with costs recovered via development contributions as development occurs. By managing the upgrade, Council can also ensure that appropriate consideration of continued access to sites such as the Rototuna High School is incorporated throughout the design and construction.

Construction is to be staged to ensure alignment with associated development programmes and timing may require adjustment pending third party agreements, actual development and consideration of network operation including access to the new Rototuna High School site. The current programme is for design of the North City Road upgrade to be completed by mid 2016 in conjunction with finalisation of the Rototuna Town Centre Comprehensive Development Plan, with subsequent construction of the Stage 1 'main street' section of the North City Road upgrade from Borman Road to Bournebrook Ave to commence in late 2016. Construction of Stage 2 'collector' section is currently programmed to commence in the 2020/21 financial year.

The project is currently funded within the 2015-25 10 Year Plan, however costs to complete are still to be confirmed pending design and associated multi-party funding agreements with developers.

Review / Approval Summary

Prepared By Business Owner  **Date:** 11 November 2015
Chris Barton – Project Development Manager

Reviewed and Endorsed By PMO **Date:** 18 November 2015

Reviewed By SLT SLT Decision - Refer to Council **Date:** 23 November 2015

Ordinary Council Meeting **Date:** 10 December 2015

Resolution (adopted following Council consideration)

A plan of the Rototuna Town Centre showing the proposed land uses and transport corridors is shown below:



Comprehensive Development Plan



Recognising and planning to capitalise on the opportunities at Rototuna, a Comprehensive Development Plan (CDP) for Rototuna Town Centre (Area A shown in red dashes) has been jointly developed by Kirkdale Investments Ltd and Council as landowners. This partnership seeks to enable process efficiencies and integrated design outcomes, and particularly for this proposal to integrate transport planning with the land use development. The locality diagram for the CDP showing Area A is below.

The CDP "vision is a Town Centre for Rototuna that functions as a focal point for the wider Rototuna community by enabling a diverse range of activities that operate within a pedestrian-focused, street-based layout, and incorporate principles of good urban design".

The Town Centre will provide the local community's retail, employment, service, entertainment, and recreation needs, and a support range of residential living opportunities. North City Road is proposed to be pedestrian focussed, vibrant shopping destination for the local community. Therefore it is envisaged as a 'High Street' in the CDP, with double story buildings facing the road. Wide pedestrian walkways will provide space for street dining and large specimen trees. The roadway will accommodate cyclists and slow moving vehicles.



Main Street

Pedestrian orientated activities located along street frontages, particularly along the Main Street and Public Square which will be the principal shopping areas.

Road Network Connectivity and Staging

The proposed Waikato Expressway – Hamilton Section (target completion 2019) will have an interchange with Resolution Drive, which is a major arterial linking to the northern suburbs of Hamilton north to Huntly and Auckland. North City Road is proposed to be a link between Resolution Drive to the north, and Borman Road to the south.

North City Road is currently a formed rural road, which is proposed to be upgraded in two stages:

- **Stage 1:** Borman Road to Bournebrook Ave; and
- **Stage 2:** Bournebrook Ave to Resolution Drive.

Stage 1 is proposed to be upgraded to an urban main street, and Stage 2 to be an urban collector standard. Stage 1 has been practically broken into two sections: 1A from Borman Road to Park Lane; and 1B from Park Lane to Bournebrook Road. This business case is to justify the investment in all stages of North City Road, which forms a critical access to enable further investment and development in Rototuna.

Stage 1 of North City Road will be a critical link for access to the existing Hamilton Christian School, and the new Rototuna High School (opening in 2016). Therefore maintaining and enhancing access to these education facilities is important in the short term.

Stage 1B will provide access to new community facilities, specifically the Aquatic Centre, Public Square, Library and Transport Interchange. The **30 Year Infrastructure Plan** proposes to fund the Aquatic Centre in around 2026/27, and the Library in 2029/30. The Public Square has no scheduled funding at this time.



Investment Objectives

A workshop was held on 22 October 2015 to develop investment objectives and refine the desired outcomes for North City Road project. Key objectives identified include:

1. To enable **economic development** by providing integrated **access** for all transport modes to 68 Ha of mixed use development land by 2020; and
2. To provide an appropriate **shared use environment** with a **pedestrian focus** through the main street area between Borman Road and Bournebrook Ave in accordance with the Rototuna Town Centre Comprehensive Development Plan.

1.2 Outcomes
 What are the expected outcomes that will be delivered as a result of this work - Develop these with Stakeholders along with SMART objectives and defined long term value for money this BC work will deliver

The key desired project outcomes are as follows:

- Providing appropriate transport infrastructure to enable development and **economic growth** of the Rototuna Town Centre and surrounding Rototuna area;
- Provide **access** and facilities for all transport modes, with a pedestrian focus;
 - Develop an integrated network with the Resolution Drive Extension and Rototuna Structure Plan transport networks;
 - Maintain access for the existing Hamilton Christian School, and the new Rototuna High School;
- Provide a **safe** environment, relating both to road interactions and personal safety and security;
- Develop an active local Rototuna **community** by creating an attractive Town Centre, encourage use of facilities and create a sense of place; and
 - Develop a pedestrian focused streetscape that incorporates the principles of good urban design.

1.3 Strategic Alignment
 Describe how the proposed work aligns to either individual or multiple HCC strategies
<http://www.hamilton.govt.nz/city-and-transport/transport/development>

Hamilton’s Vision
“is to be a smart city in every way and in everything we do”, with the impact of the proposed North City Road on Hamilton’s outcomes and goals as follows:

Outcomes and goals	Alignment with this investment
Hamilton has a strong and productive economy and we build on our economic strengths	See Investment Objective 1. Investment in the development of North City Road will facilitate economic development in Hamilton by providing access and connectivity to a large proportion of Rototuna Town Centre land uses. The Town Centre will service a large number of households, and provide a new centre of employment.
It’s easy to do business here	Council’s partnership with Kirkdale is assisting the development of Rototuna in a way that benefits all parties, and ultimately seeks a vibrant Town Centre environment that is conducive to and facilitates successful business. North City Road forms a key spine for the Town Centre as the principal employment area.
Our city grows and prospers in a sustainable way	The CDP seeks a fully integrated transport and land use outcome for North City Road, within a pedestrian focussed and sustainable Town Centre. This is consistent with the Rototuna Structure Plan, and HUGS
Our city is attractive, well-designed and compact, with outstanding architecture and distinctive public spaces	See Investment Objective 3. The CDP forms the blueprint for a Town Centre to be developed using the principles of good urban design, and HCC’s involvement at this early stage ensures that their outcomes are locked in at the planning stage. The pedestrian friendly focus and streetscape for North City Road will significantly contribute towards an attractive and well-designed Town Centre.
Hamilton is a safe city	See Investment Objective 2. Safety has been fully integrated into the design of the North City Road infrastructure, both in terms of transport network interfaces and interactions, and passive surveillance for security through the Town Centre.
It's easy to get around	See Investment Objective 3. The CDP plans for a pedestrian-focussed, street-based layout for North City Road which will access a wide variety of employment, service, entertainment, and recreation needs within a walkable distance.

Alignment to Strategies and Plans		
Strategies and Plans	Outcomes and goals	Alignment with this investment
Hamilton Plan	The third city economy in New Zealand	See Investment Objective 1. Investment in the development of North City Road will facilitate economic development in Hamilton by providing access and connectivity to a large proportion of Rototuna Town Centre land uses. The Town Centre will service a large number of households, and provide a new centre of employment.
	Providing Outstanding infrastructure	See Investment Objective 1. The CDP forms the blueprint for a Town Centre to be developed using the principles of good urban design, and HCC's involvement at this early stage ensures that their outcomes are locked in at the planning stage. The pedestrian friendly focus and streetscape for North City Road will significantly contribute towards an attractive and well-designed Town Centre.
	Access to affordable housing.	See Investment Objective 1. Investment in North City Road will provide access and connectivity to a large proportion of Rototuna residential land uses, thereby increasing housing stock and assisting to control house prices.
Access Hamilton 2010	Deliver an affordable, integrated, safe, responsive and sustainable transport system	See Investment Objective 1. Integrated land use and transport planning, including provision and access for all modes is at the core of the Rototuna Structure Plan and CDP. North City Road is proposed to implement these plans.
	Supports economic, social, environmental and cultural well-being	See Investment Objective 1. The planned transport infrastructure plays a key role in providing access to a variety of land uses including employment to enable economic growth. As part of the CDP, North City Road seeks to develop an active local Rototuna community by creating an attractive Town Centre, and a sense of place. The pedestrian focused streetscape will incorporate the principles of good urban design.
	Position infrastructure and land development to meet the city's long term needs	The CDP forms the blueprint for a Town Centre to be developed using the principles of good urban design, and HCC's involvement at this early stage ensures that their outcomes are locked in at the planning stage. The pedestrian friendly focus and streetscape for North City Road will significantly contribute towards an attractive and well-designed Town Centre, which will cater for long term (20 years+) growth.
Economic Development Agenda	To ensure growth and strengthening of the Hamilton economy.	See Investment Objective 1. Investment in the development of North City Road will facilitate economic development in Hamilton by providing access and connectivity to a large proportion of Rototuna Town Centre land uses. The Town Centre will service a large number of households, and provide a new centre of employment. Council's partnership with Kirkdale is assisting the development of Rototuna in a way that benefits all parties, and ultimately seeks a vibrant Town Centre environment

		that is conducive to and facilitates successful business.
Hamilton Urban Growth Strategy	HCC's spatial vision for the growth of Hamilton.	See Investment Objective 1. The HUGS identifies greenfield farmland at Rototuna to the north of Hamilton as the current primary growth area for residential growth (Growth Approach 2), with 13,500 people forecast to reside there by 2036. The urban upgrade to North City Road provides crucial infrastructure to enable the safe and efficient transport movement into and out of the proposed Rototuna Town Centre. The transport infrastructure is planned with a long term view which aims to future proof the city's primary growth area over the next 20+ years.
Rototuna Structure Plan	Plan of land use types and locations, and transport corridor hierarchy	Rototuna Town Centre is identified in the Structure Plan, and North City Road is indicated as a Collector Road in the intended transportation network.
Hamilton 30 Year Infrastructure Strategy	Identifies proposed approaches and estimated infrastructure requirements to support realistic growth forecasts over 30 years.	See Investment Objective 1. This project is necessary to facilitate growth in Rototuna as assumed in the 30 year strategy, with a Priority 1 rating.
Integrated Transport Plan	Assist economic development	See Investment Objective 1. The planned transport infrastructure plays a key role in providing access to a variety of land uses including employment to enable economic growth.
	Assist safety and personal security	See Investment Objective 2. The CDP seeks a pedestrian dominated main street that promotes low speed transport interactions, personal safety and security through natural surveillance.
	Improve access and mobility Integrate transport and land use planning	See Investment Objectives 1 and 3. The Rototuna Structure Plan and CDP are fully aligned with integrated transport planning, though the planned mix of land uses, and the provision and prioritisation of walking, cycling and public transport throughout the Town Centre.
Network Action Plan	Action plan to address network deficiencies.	This Plan identifies item N29 Rototuna Rooding Growth: Construction of rooding infrastructure to support the continued development of the Rototuna Structure Plan Area. SAP reference: 555, profile: MM_. This item is funded in the LTCCP for \$83M.
Active Hamilton	People are active, spaces and facilities enable Hamilton's active communities to thrive.	See Investment Objectives 1 and 3. The North City Road urban upgrade will incorporate cycle and pedestrian facilities. This actively encourages the use of these modes of transport, supporting an active community.
Sustainable Hamilton	Changing the way we live for a better future. Relevant priorities: - City Living and Business	See Investment Objective 3. North City road will contribute by providing transport infrastructure that will enable planned development, while managing its impact on the natural environment. Provision will be made for cycling and public transport facilities to reduce car use, but the focus will be on walking and access.

	- Leadership and collaboration	The CDP demonstrates HCC's collaborative approach to the Town Centre with Kirkdale, to ensure desirable and sustainable outcomes and provision for all transport modes.
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1.4 Organisational Context

Outline how this work will assist HCC achieve its business goals (Refer guidelines for more information)

Outcomes and goals	Description	Alignment with this investment
Embrace Growth	Deliver infrastructure solutions	This project will deliver appropriate infrastructure solutions in the form of construction of strategic transport network assets and associated connections to both respond to and facilitate city growth, in accordance with structure plans and allocated 10 year plan budgets.
	Leverage the best opportunities	The CDP demonstrates HCC's collaborative approach to the Town Centre with Kirkdale. This approach leverages off the developers investment to ensure desirable and sustainable outcomes and provision for all transport modes. The CDP forms the blueprint for a Town Centre to be developed using the principles of good urban design, and HCC's involvement at this early stage ensures that their outcomes are locked in at the planning stage. The pedestrian friendly focus and streetscape for North City Road will significantly contribute towards an attractive and well-designed Town Centre.
	Facilitate a strong economy	Investment in the development of North City Road will facilitate economic development in Hamilton by providing access and connectivity to a large proportion of Rototuna Town Centre land uses. The Town Centre will service a large number of households, and provide a new centre of employment.
We are Best in Business	Right People, Right Outcomes	Preliminary investigation of this project has involved effective consultation with both internal and external stakeholders to develop an effective project scope which will meet identified objectives. Through the CDP process, Kirkdale have been heavily engaged in developing the vision for the Town Centre. Moving forward staff will continue to stay engaged with the project to ensure the right outcomes for the city are delivered.
	Do The Basics Well	This project delivers a basic but critical piece of infrastructure to ensure Hamilton City's transportation network continues to operate effectively, while facilitating growth in Rototuna, maintaining access to schools and completing the Rototuna Structure Plan linking to the Waikato Expressway Hamilton Section. Ensuring appropriate project management principles are utilised throughout the implementation will ensure effective delivery of appropriate outcomes.
	Financial Sustainability	Works will be delivered within existing 10 Year Plan budgets and in-line with programmed financial timeframes. There are opportunities for cost efficiencies through developer funding and through construction procurement.
	Wow the customer	The CDP forms the blueprint for a Town Centre to be developed using the principles of good urban design, and HCC's involvement at this early stage ensures that their

		outcomes are locked in at the planning stage. The pedestrian friendly focus and streetscape for North City Road will significantly contribute towards an attractive and well-designed Town Centre that will WOW the customer – the person on the street!
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1.5 Organisational Impact
 How / where does this piece of work integrate with / impact on the rest of the organisation's activities?

The proposed North City Road works are to be delivered utilising City Infrastructure Group resources, supported by external consultants and contractors.

It is not anticipated that construction and implementation of these works will restrict or adversely impact on any other works being delivered within HCC.

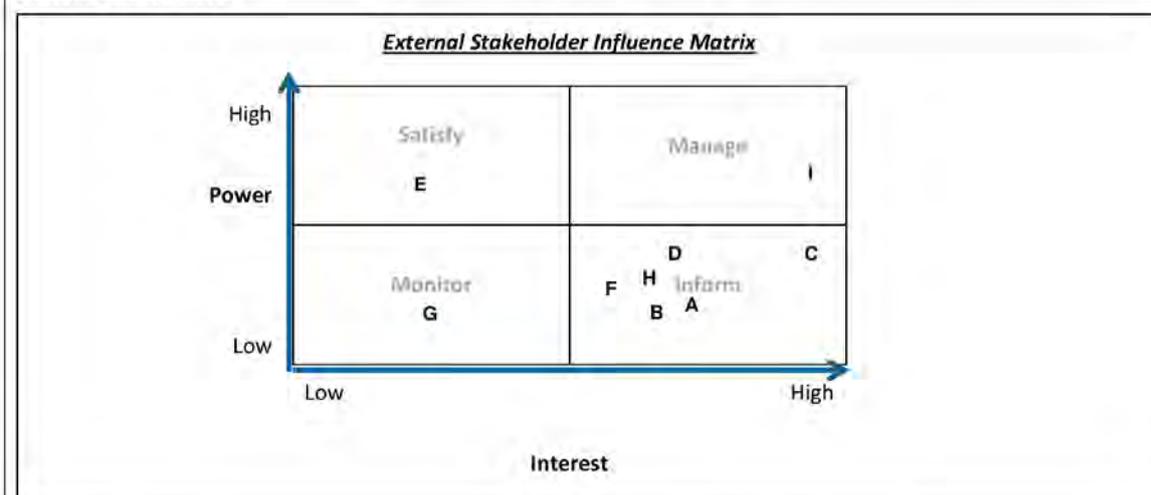
Other parts of HCC will be required to support this project moving forward, as part of business as usual activities:

- **Finance Team** – Project financial management including forecasting and reporting;
- **Communications Team** – Facilitating communications plans, drafting media releases and ensuring;
- **Parks & Open Spaces** – Review of design plans as developed; and
- **Planning Guidance** – Review of project related resource consent applications.

1.6 Stakeholders
 Need to be identified and their level of influence and interest in the BC needs to have been defined – use the analysis tool if helpful [D-1166068](#).

The assessment of internal and external stakeholders and their impact has been described using HCC's Project Stakeholder Management – Tools and Techniques, as included in a draft outline Stakeholder Engagement Plan in Appendix 1.1. This section summarises the full assessment using the influence matrix.

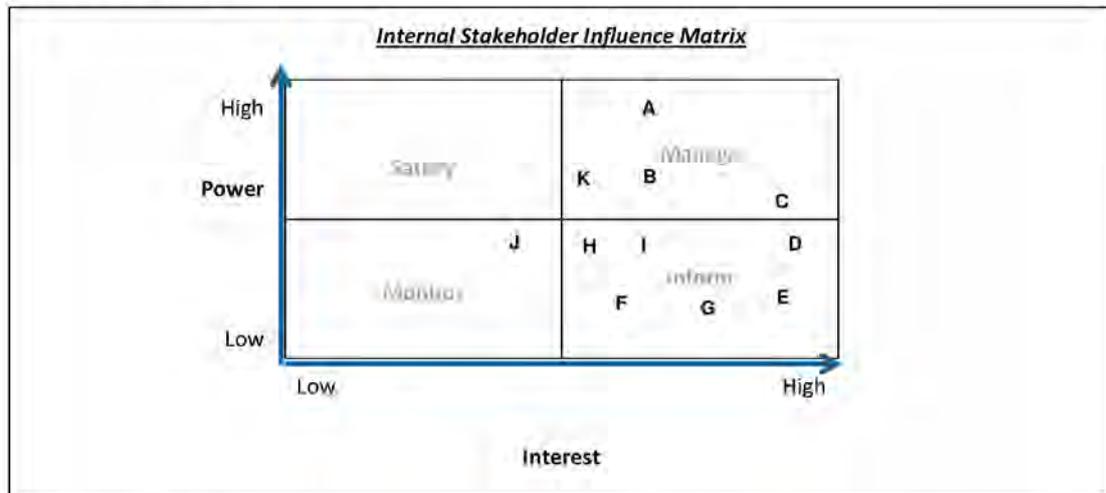
External Stakeholders



Ref	Stakeholder	Assessment of Impact
A	Adjacent Landowners	Keep Informed
B	Local Community	Keep Informed
C	Local Developers	Keep Informed
D	Service Utility Providers	Keep Informed

E	Local Iwi	Keep Satisfied
F	Waikato Regional Council	Keep Informed
G	Hamilton City Residents	Monitor
H	PSP Consultants	Keep Informed
I	Rototuna School	Manage Closely

Internal Stakeholders



Ref	Stakeholder	Assessment of Impact
A	Elected Members (Mayor and Councillors)	Manage Closely
B	Chief Executive and Senior Leadership Team	Manage Closely
C	General manager City Infrastructure and City Infrastructure Transport and Waste Governance Group (PGG)	Manage Closely
D	City Development Unit – Project Development Team	Keep Informed
E	City Transport Unit	Keep Informed
F	Parks and Open Spaces Unit	Keep Informed
G	Finance Team	Keep Informed
H	Planning Guidance Unit	Keep Informed
I	Communications Team	Keep Informed
J	City Planning	Monitor
K	Rototuna Suburban Centre PGG	Manage Closely

1.7 Scope of the Work - What's included in the scope of this proposal, and what is specifically excluded – ensure you define impact of change?	
<p>Included in Scope</p> <p>The upgrade of North City Road to an urban standard in keeping with the HCC ITS and scheme plan for the proposed Rototuna Suburban Centre.</p> <p>Included in scope:</p> <ul style="list-style-type: none"> • Finalise the concept design; • Detailed design and project documentation (drawings, schedules, specifications, basis of payment and contract); • Management, Supervision and Quality Assurance; • Ensuring any resource consent, designation and outline plan requirements are understood and resolved; and • Stakeholder liaison and management. • Procurement and construction of all roading infrastructure, and installation of required wastewater, stormwater and water supply services from Borman Road to Kay Road. <p>Excluded from scope:</p> <ul style="list-style-type: none"> • Construction of associated local and collector road networks and associated 3-waters servicing • Utility service (power, gas, telecommunications) installation. 	
1.8 Quantitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)	1.8a KPI/Target/Frequency of reporting Also Identify the Benefit owner and who will report the KPI/ Target and Frequency (ie as 3 separate items)
<p>Integrated access for all transport modes to development land.</p> <p><i>Benefit Owner: Strategic Growth Group</i></p>	<p>KPI – Hectares of land</p> <p>Target – 68Ha</p> <p>Frequency – Measure on project completion</p>
1.9 Qualitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)	1.9a Indicator of Success Identify the benefit owner and who specifically will report on the progress/realisation of the benefit
<p>Enhanced city liveability as the Rototuna Town Centre is developed, through provision of appropriate community and commercial facilities within the Rototuna area.</p> <p><i>Benefit Owner: Hamilton City Residents</i></p>	<p><u>Indicator of Success</u></p> <p>Continued development of the Rototuna town centre, measured by utilisation.</p> <p><u>Reporting</u></p> <p>Reported by Strategic Growth Group</p>
<p>Citywide Economic Benefits - realised through facilitation of ongoing city growth.</p> <p><i>Benefit Owner: Hamilton City Residents</i></p>	<p><u>Indicator of Success</u></p> <p>Continued development of Rototuna residential area, measured by number of subdivision consents; and development of the Rototuna town centre, measured by utilisation.</p> <p><u>Reporting</u></p> <p>Reported by Strategic Growth Group</p>

1.10 Dis-benefits	1.10a Impact on the business (identify who will be impacted as a result)
Adverse traffic management, noise, vibration, visual and amenity effects from construction activities.	Potential for dis-benefit through construction resulting in detriment to residents and adjacent land owners. Who will be impacted: Council Reputation
Increased operational, maintenance and renewal costs from the creation of new assets	Increased operational, maintenance and renewal expenditure. Who will be impacted: City Transportation Unit
1.11 Opportunities Arising (identify who will own and report the opportunity)	1.11a Strategies to Exploit, Enhance &/or Share Each Opportunity
Integration of design with the Rototuna Town Centre Comprehensive Development Plan <i>Opportunity Owner: Project Manager</i>	The CDP forms the blueprint for a Town Centre to be developed using the principles of good urban design, and HCC's involvement at this early stage ensures that their outcomes are locked in at the planning stage. The pedestrian friendly focus and streetscape for North City Road will significantly contribute towards an attractive and well-designed Town Centre that will WOW the customer. This will be exploited by including the urban design features in the MPFA funded work.
Utility corridor access for external utility providers - power, gas and telecommunication. <i>Opportunity Owner: Project Manager</i>	Ensure co-ordination of construction with trunk and bulk networks required to facilitate growth as outlined in 3-Waters Master Plan documents. Ensure co-ordination with external utility service providers via liaison meetings to enable opportunity of service installation.
Realignment of construction staging and programme to ensure project integration with development and minimise impact of construction on access to the Rototuna High School site <i>Opportunity Owner: Project Manager</i>	Ensure co-ordination with developer programmes and associated road network development in the area, including associated collector road network, Borman Road eastern extension and Resolution Drive extension construction. Will require regular reviews of construction staging and associated funding, which will be updated to Council via regular forecasting and reporting as required.

1.12 Risks Identified	1.12a Gross Risk Rating	1.12b Risk Trigger Points	1.12c Risk Management Approach	1.12d Residual Risk
Project costs exceed estimates and budget	High	Stage Reviews: <ul style="list-style-type: none"> Engineers Estimate Tender Construction 	<i>Prevention</i> <ul style="list-style-type: none"> Review designs for value for money Ensure rigorous and competitive tender process <i>Response</i> <ul style="list-style-type: none"> Review of design / value engineering if there are extensive variations. 	Medium
Rototuna Town Centre CDP changes, resource consent conditions and scope creep resulting in cost increases or time delays or additional cost.	High	Stage Reviews: <ul style="list-style-type: none"> Concept design Detailed design Resource Consent Application Construction 	<i>Prevention</i> <ul style="list-style-type: none"> Robust scope development at concept stage Integration with CDP development and current thinking Early agreement on scope with all parties (HCC and Developers) <i>Response</i> <ul style="list-style-type: none"> Early notification of any CDP amendments which will affect project scope. Design / construction review + lessons learned 	Medium
Progressing third party agreements to secure developer funding for construction of the 'main street and 3-waters servicing.	High	Stage Reviews: <ul style="list-style-type: none"> Concept design MPFA Development 	<i>Prevention</i> <ul style="list-style-type: none"> Early engagement with developers <i>Response</i> <ul style="list-style-type: none"> Contractual engagement in the form of an MPFA 	High
Project delivery in accordance with 10 Year Plan budget timeframes could be affected due to project third party dependence.	High	Stage Reviews: <ul style="list-style-type: none"> Financial Forecasting MPFA Development 	<i>Prevention</i> <ul style="list-style-type: none"> Early engagement with developers Contractual engagement in the form of an MPFA <i>Response</i> <ul style="list-style-type: none"> Financial forecasting to confirm timeframes, informing annual plan and 10 YP updates. 	High
Coordination of construction with existing traffic flows, including access to the Rototuna High School	High	Tender Construction	<i>Prevention</i> <ul style="list-style-type: none"> Traffic management consideration as part of contract tender evaluation Deferral of construction until alternative school access is available. <i>Response</i> <ul style="list-style-type: none"> Approved traffic management plan prior to construction 	High
Personal and public safety risk during construction	High	Tender Construction	<i>Prevention</i> <ul style="list-style-type: none"> Identification of key project hazards and risks prior to construction H&S consideration as part of contract tender evaluation Site specific H&S plan to be submitted by successful contractor <i>Response</i> <ul style="list-style-type: none"> H&S management systems in-place 	Low

1.13 Issues

Identify and describe

- **Development with Kirkdale:** There is a short term opportunity to lock in HCC's desired transport and other outcomes for North City Road through early interactions with Kirkdale. This is currently being realised through the joint approach to the CDP, which will set the form and function of Stage 1 of North City Road;
- **Stage 1 of North City Road:** Kirkdale may not start construction of the first section of land on the corner of Borman Road and North City Road within a short (say 3 year) timeframe. If this is the case, then it may be possible to install an urban road standard as an intermediate measure, and to delay the full 'Main Street' streetscaping works (and cost) until such time as this development is imminent. This is currently being monitored by the HCC project team, with ongoing dialogue with Kirkdale to understand drivers and timeframes for development of adjacent land.

1.14 Constraints/Dependencies/Assumptions

Define and describe the factors under each of the headings

Constraints

- All works must remain within the land footprint. Any works outside the footprint will require additional land purchase, with potential time and cost impacts; and
- Works must be delivered in conjunction with the developers programme; and
- All works should be completed within the allocated budgets.

Dependencies

- The long term 'Main Street' function of North City Road is dependent on the development of the Waikato Expressway and the Resolution drive Extension. If these projects do not happen, then the low speed town centre environment may not be achieved;
- The viability of the Rototuna Town Centre is dependent on the private sector development of Rototuna. Therefore the willingness of the market to invest at this location, with the right blend of land uses, will dictate the success of the Town Centre;
- The CDP is accepted and adopted by HCC and Kirkdale (developer);
- The design will be subject to Safety Audits, and sign off;
- Appropriate Waikato Regional Council and Hamilton City Council resource consents will be necessary prior to construction of North City Road;
- The southernmost section of North City Road has recently changed alignment, and a road closure process is needed prior to disposal of HCC land adjacent to Borman Road;
- Designs and cost apportionments are aligned with developers for all infrastructure including 3-waters service provision, and are confirmed within multi-party funding agreements.

Assumptions

- That Kirkdale and other private developers 'buy-in' and support the long term vision for Rototuna, and the CDP.
- That a MPFA will be agreed on.

2.0 ECONOMIC CASE – complete for ALL business cases

Critical success factors & the preferred way forward

2.1 Business Requirements (refer more detail in the specific notes section)

Identify the requirements that must be met – Define them according to **core vs desirable vs optional**

The requirements for the project are:

Core:

- An urban upgrade to urban collector standard of North City Road between Borman Road and Resolution Drive.
- Water, wastewater and stormwater servicing to extend the length of the North City Road.
- An agreed access to the Hamilton Christian School.

Desirable:

- A main street level upgrade between Borman Road and Bournbrook Avenue and an urban collector standard upgrade from Bournbrook Avenue to Resolution Drive.
- All services extended the length of North City Road.

2.2 Available Options – Long List (refer more detail in the specific notes section)

Consider a wide range of realistic options for meeting the business requirements. Has a feasibility study been done?

You must include a base case: chose either status quo or do nothing or do minimum for this purpose

The Rototuna Town Centre CDP incorporates a well-defined plan of what North City Road will ultimately be.

Since the CDP has not yet been consented some uncertainty remains about the final result which could ultimately have major implication on the look and feel of the road. At this strategic stage limited information is available and only an overview of the options is supplied with a detailed project business case to inform on details.

Dimension	Description	Options
Scale and scope	In relation to the proposal how big/small could this be? eg by levels of functionality, unit/group/organisation-wide	<p>Option 1 – Status Quo</p> <p>If nothing is done North City Road will remain as a rural road. This will impact on the economic growth that is possible in this location.</p> <p>Option 2 – Upgrade to collector standard</p> <p>If the whole of North City Road is upgraded to a collector standard only it will not provide the parking, safety and aesthetic appeal that would support a new town centre.</p> <p>Option 3 – Upgrade to Main street standard</p> <p>This option will upgrade the North City Road to a Main Street Standard South East of Bournbrook avenue and to a collector standard on the North western side.</p>
Service Solution	How can services be provided? eg potential solutions and answers, use of technologies	<ul style="list-style-type: none"> • At this early stage it is anticipated that the project will be delivered using a mix of existing technologies and new innovations as they are identified.
Service Delivery	Who can deliver the services? eg in-house, out sourced, alternative procurement strategies	<ul style="list-style-type: none"> • City Development in house project management resources would provide the necessary project management resource – having recently delivered the Hamilton Ring Road there is sufficient experience in the team to deliver this project. • There is insufficient in-house design and planning resource to

		<p>completely deliver this project and so these elements will be supported through utilisation of the PSP</p> <ul style="list-style-type: none"> The current preferred method is in-house project management with design services provided by external consultant and construction delivered through a traditional competitive contract. Due to the size and nature of the physical works, a public tendering process will be carried out to procure the appropriately experienced resources to deliver the works and ensure value for money <p>Alternative contractual methods will be investigated but would only likely be prompted by significant third party collaboration e.g. partnering with a developer who is carrying out major works of a similar nature at the same time</p>
Implementation	<p>When can the services be delivered? eg timing and staging, big bang, phased, modular</p>	<p>Staging</p> <p>North City Road is currently a formed rural road, which is proposed to be upgraded in two stages:</p> <ul style="list-style-type: none"> Stage 1: Borman Road to Bournebrook Road; and Stage 2: Bournebrook Road to Resolution Drive. <p>Stage 1 is proposed to be upgraded to an urban main street, and Stage 2 to be an urban collector standard. Stage 1 has been practically broken into two sections: 1A from Borman Road to Park Lane; and 1B from Park Lane to Bournebrook Road.</p> <p>Timing</p> <p>It is anticipated that stage 1 construction will commence in the 2016/17 financial year but being closely linked to the CDP and developer outcomes timing has to align with the surrounding development of land.</p>
Funding	<p>How can it be funded? eg Capital, operating, PPP, grant</p>	<p>This project is expected to be delivered by council via a multi-party funding agreement with the surrounding land owners in stage 1 and via development contributions in stage 2. Council being a land owner in stage 1 area of the project will be a funding partner and have an LTP budget of \$8,126,000 .</p>
<p>2.3 Preferred Option – engage with stakeholders to develop this and identify whole of life cost of the proposal Identify the preferred option , describing strategic fit, how well it meets the business requirements and its advantages and disadvantages</p>		
<p>Option 3 is preferred to upgrade North City Road to a main street standard to Bournbrook Avenue and a collector standard between Bournbrook Avenue and Resolution Drive. This is a strategic fit with both the district plan and the CDP as it exists today. More detailed information on the exact look and feel of the road will be available at the completion of the CDP.</p> <p>Included in scope:</p> <ul style="list-style-type: none"> Finalise the concept design; <ul style="list-style-type: none"> 365m of Main street standard upgrade. 670m of collector standard upgrade. Pedestrian and cycle facilities. 3 waters infrastructure. Hamilton Christian School augmented access. Detailed design and project documentation (drawings, schedules, specifications, basis of payment and contract); 		

- Management, Supervision and Quality Assurance;
- Ensuring any resource consent, designation and outline plan requirements are understood and resolved; and
- Stakeholder liaison and management.
- Procurement and construction of all roading infrastructure, and installation of required wastewater, stormwater and water supply services from Borman Road to Kay Road.

Excluded from scope:

- Construction of associated local and collector road networks and associated 3-waters servicing
- Utility service (power, gas, telecommunications) installation.
- Resolution Drive intersection.
- Other collector roads in CDP area.

Advantages:

- Integration with adjacent land uses.
- Efficiencies by constructing the final solution.
- Supporting the creation of a community destination.

Disadvantages:

- It is more costly (still within budgets) than other options.

2.4 Potential Value for Money

Describe how the preferred option maximises value for money

- The preferred option pre-empts the construction of the main street section while the area is predominantly green fields. If this was done retrospectively there would be significant costs involved with construction in a constrained and developed area.
- A public tender process will be used to procure the physical works ensuring market rates are attracted.

2.5 Achievability

Outline how the preferred option will be successfully delivered

The strategic intent is to deliver this project in line with section 2.2 service delivery more details will be provided in the project specific business case.

2.6 Affordability

Outline how the preferred option will be funded

This project is expected to be delivered by council via a multi-party funding agreement with the surrounding land owners in stage 1 and via development contributions in stage 2. Council being a land owner in stage 1 area of the project will be a funding partner and have an LTP budget of \$8,126,000.

3.0 COMMERCIAL CASE – Complete for FULL business cases only	
Resource requirements	
3.1 Identify the resource requirements – define internal and external?	3.1a Proposed procurement strategy – the how not the what <small>Council's Procurement Policy & Procedures Manual</small>
<p>Internal</p> <p><i>City Infrastructure Group</i></p> <ul style="list-style-type: none"> • Programme Manager • Contract Manager • Review of designs <p><i>Communications Team</i></p> <ul style="list-style-type: none"> • Project specific communication/public relations advisor • Communication, Consultation and Property Liaison Manager <p><i>Finance Team</i></p> <ul style="list-style-type: none"> • Project Financial Accountant <p><i>City Environment – Planning Guidance Unit</i></p> <ul style="list-style-type: none"> • Processing of consents and monitoring activities <p><i>Procurement</i></p> <ul style="list-style-type: none"> • Procurement of professional services under the PSP • Publicly tendered construction contract <p>External</p> <p><i>Professional Services Panel (PSP)</i></p> <ul style="list-style-type: none"> • Project Manager • Specialist professional services (including road design, traffic engineering, geotechnical, urban design, three waters design, noise and vibration, ecology, consenting aspects etc.) • Property specialist (if needed) • Specialist construction and quality assurance supervisor <p>Public Tender</p> <p>Construction contractor procured by way of a publically advertised tender, evaluated through a price-quality method.</p>	<p>Overall Procurement Strategy</p> <p>In general this project will be resourced by City Infrastructure Group resources through all phases, including:</p> <ul style="list-style-type: none"> • Concept design; • Detailed Design and consenting; • Procurement of / access to land; • Procurement of physical works contracts; • Construction; • Monitoring, Surveillance and Quality Assurance; • Project closeout; and • Post implementation monitoring of outcomes. <p>Other parts of HCC will be required to support this project moving forward, as part of business as usual activities, including communications, finance, consenting and procurement etc.</p> <p>The Infrastructure Group will be supported by external consultants from the Professional Services Panel, and Construction Contractors.</p> <p>This approach has proved successful on previous projects, and therefore is proposed for North City Road.</p> <p>The PSP procurement process will be followed as necessary, and procurement plans will be developed in accordance with the Procurement and Policy Manual.</p> <p>A procurement plan will be developed for the construction phase in accordance with the HCC Procurement and Policy Manual. It is expected that the contractor will be procured through a publically advertised tender, evaluated through a price-quality method.</p> <p>There are 3-4 experienced contractors operating in the Waikato region which would be competent to carry out the works. As the sections of Waikato Expressway are beginning in a similar time frame as the anticipated project we may see local resources becoming busier. To mitigate this we will send early indication of the timing of this project. There would likely be Auckland based contractors who would submit tenders for this work.</p>

4.0 FINANCIAL CASE – Complete for ALL business cases				
Affordability and funding requirements				
4.1 Description	4.2 Amount	4.3 Timing	4.4 Funding	4.5 Budget Notes
Capital Expenditure				
Total \$8,126,000 comprising:				
2015/16	\$1,369,000	2015/16 Financial Year	2015-25 10 Year Plan	Funded capital expenditure in the 2015-25 10 year plan: <ul style="list-style-type: none"> • Roading Upgrades and Development in Rototuna (CE15092) - \$941k • Rototuna Water Infrastructure (CE15126) - \$133k • Rototuna Wastewater Infrastructure (CE15105) - \$295k
2016/17	\$2,027,000	2016/17 FY	2015-25 10 Year Plan	• Roading Upgrades and Development in Rototuna (CE15092) - \$2,027k
2017/18	\$326,000	2017/18 FY	2015-25 10 Year Plan	• Roading Upgrades and Development in Rototuna (CE15092) - \$326k
2018/19	\$309,000	2018/19 FY	2015-25 10 Year Plan	• Roading Upgrades and Development in Rototuna (CE15092) - \$309k
2019/20	\$706,000	2019/20 FY	2015-25 10 Year Plan	• Roading Upgrades and Development in Rototuna (CE15092) - \$706k
2020/21	\$2,437,000	2020/21 FY	2015-25 10 Year Plan	• Roading Upgrades and Development in Rototuna (CE15092) - \$2,437k
2021/22	\$56,000	2021/22 FY	2015-25 10 Year Plan	• Roading Upgrades and Development in Rototuna (CE15092) - \$56k
2022/23	\$268,000	2022/23 FY	2015-25 10 Year Plan	• Rototuna Water Infrastructure (CE15126) - \$268k
2023/24	\$628,000	2023/24 FY	2015-25 10 Year Plan	• Rototuna Water Infrastructure (CE15126) - \$628k
Total	\$8,126,000			
Annual Operating Costs:				
<ul style="list-style-type: none"> • Consequential Operation & Maintenance Costs <ul style="list-style-type: none"> ○ \$9,000 per year from 2017/18 following construction of the 'main street' section, increasing to \$18,000 per year from 2021/22 following construction of the 'collector' section. ○ Budget allocated in 2015-25 10 Year Plan • Asset Depreciation <ul style="list-style-type: none"> ○ \$162,500 per year from 2017/18 based on a nominal 50 year asset life ○ Budget allocated in 2015-25 10 Year Plan 				
4.6 Comments – describe any contracting mechanisms that may apply and identify costs associated with risk. Provide any additional details on the above as appropriate				
<ul style="list-style-type: none"> • Timing and phasing of construction will be dependent on third party developer agreements, development timing, finalisation of the Rototuna Town Centre comprehensive development plan, and consideration of network operation including access to the new Rototuna High School site. This may require adjustment of funding timing to ensure integrated infrastructure delivery. • Engineers estimates will be developed upon completion of design prior to tendering. 				

5.0 MANAGEMENT CASE – Complete for ALL business cases

Ensuring successful delivery

5.1 Stakeholder Engagement

External Stakeholders

During the investigation to date and the engagement through the Rototuna Town Centre CDP process which has preceded this project, an initial list of stakeholders and directly affected landowners has been developed. Council is actively engaged with Kirkdale who are the most directly affected property owner, immediately adjacent to Stage 1 of North City Road.

Communication with external stakeholders will be through a Communication and Consultation Plan developed in liaison with the Project Steering Group and HCC Communications Team. During each phase of the project the Consultation Plan will be updated to include the most appropriate communication approaches for the work being undertaken.

See Appendix 1.1 for the draft outline Stakeholder Engagement Plan, which outlines the proposed approach to engaging with stakeholders.

Internal Stakeholders

Communications with internal stakeholders will include:

- Regular reports to Unit Manager;
- Workshops with affected staff;
- Regular reporting to the City Infrastructure Project Governance Group and Steering Group; and
- Regular reporting to Council via Strategy and Policy Committee and Finance Committee.

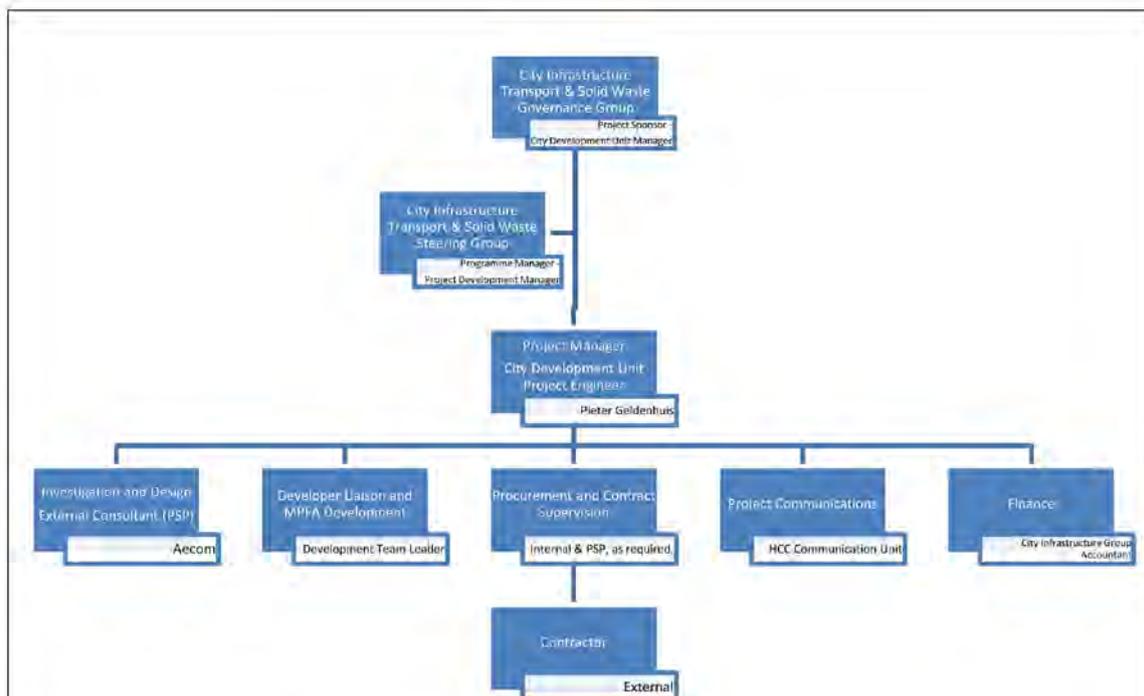
See Appendix 1.1 for the draft outline Stakeholder Engagement Plan, which outlines the proposed approach to engaging with stakeholders.

5.2 Proposed Implementation Plan

This project will be delivered in keeping with Council's best practice project management principles and practice. A full project scope and project plan will be developed by the Project Manager.

1. Governance and Project Management Structure

An overview of the proposed governance and management structure is provided below:



2. Reporting Arrangements

This project will use the existing City Infrastructure Project Governance Group structure. This group meets on a regular basis to monitor, discuss and make key strategic decisions on all significant City Infrastructure projects.

The project will be considered for the organisational Key Project reporting process at the appropriate stage.

3. Proposed Project Management Plan

The project management plan will include these key project milestones:

- Business Case Approval
- CDP Approval
- Complete Road Closing Process
- Develop Communication and Construction Plan
- Procurement of PSP resources
- Complete Detailed Design
- Obtain consents etc.
- Construction of Infrastructure

4. Project Deliverables

- Property access agreements
- Design and consenting
- Environmental mitigation (if required)
- Construction

5. Budget Allocation

Gross capital expenditure budget of \$8,126,000 allocated in the 2015-25 10 Year Plan:

- Roading Upgrades and Development in Rototuna (CE15092) - \$6,802,000
- Rototuna Water Infrastructure (CE15126) - \$1,029,000
- Rototuna Wastewater Infrastructure (CE15105) - \$295,000

6. Contract Management Arrangements

The contracts identified for this project are a combination of:

- Council and LASS PSP
- Publically advertised tenders in accordance with Council Procurement Policy
- Private developer agreements (where identified as necessary)

7. Engagement of External Specialists

Specialists will be engaged via the existing Council and LASS PSP as required for components such as:

- Project Manager
- Property specialist to assist Council property team (if needed)
- Design consultants
- Environmental experts and consultants
- Noise and vibration specialists
- Specialist construction and quality assurance personnel

8. Communication Strategy

Communication with external stakeholders will be through a Communication and Consultation Plan developed in liaison with the Project Steering Group and HCC Communications Team. During each phase of the project the plan will be updated to include the most appropriate communication approaches for the work being undertaken.

Communications with internal stakeholders will be via the project and programme steering groups, along with regular updates on project progress and key milestone achievements.

9. Change Management Planning Requirements

The urban development of North City Road will not lead to significant changes in how HCC functions, and maintains the transport network on a city wide level. The urban upgrade and development of the Town Centre will have increased maintenance costs, as there will be more Council transport and parking assets, footpaths and planted areas to maintain etc.

10. Risk Management

The Project Manager will be responsible for identifying and managing the risks associated with design and construction of North City Road. The Programme Manager will hold a risk register of these risks and report by exception to the City Infrastructure Project Governance Group.

A risk register will be developed and this will be used to identify, monitor, and report risks for this project.

11. Contingency Planning Arrangements

Once the detailed design is completed, the timing of construction is flexible to respond to the development plans for Rototuna. Construction could be delayed or advanced in response to demand for residential, educational and Town Centre developments. There is also the strong possibility to stage construction of North City Road to respond to market demands.

12. Post Implementation Monitoring

At the conclusion of the work, the Programme Manager will complete a project closure report. The Project Sponsor will be responsible for signing off the completed project.

The Benefit Owners identified in Section 1.8 will be responsible for undertaking monitoring and reporting of the KPIs at the stated frequencies.

Hamilton City Council Business Case Appendices

- 1.0 **Strategic Case**
 - 1.1 Stakeholder Management Plan
- 2.0 **Economic Case - none**
- 3.0 **Commercial Case - none**
- 4.0 **Financial Case - none**
- 5.0 **Management Case - none**

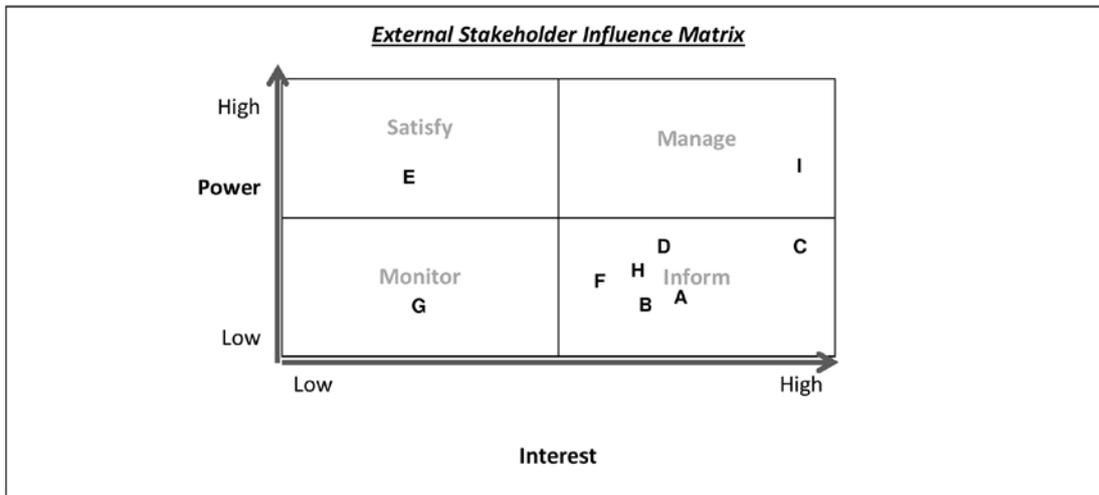
North City Road Urban Upgrade Business Case Appendices

1.1 - Stakeholder Management Plan

External Stakeholder Analysis

	Stakeholder	Interest in the Project	Assessment of Impact	Project Engagement to Date	Strategies for Engagement
A	Adjacent Landowners	Potential accessibility benefits as well as noise and amenity dis-benefits	Keep Informed	-No direct communication.	-Targeted, early and ongoing communication.
B	Local Community	Potential accessibility benefits and network connectivity dis-benefits	Keep Informed	-No direct communication.	-Targeted and ongoing communication.
C	Local Developers	Development interest in unlocked growth areas	Keep Informed	-Discussions with key local developers	-Targeted and ongoing communication.
D	Service Utility Providers	Servicing requirements to new development areas	Keep Informed	-No direct communication to date.	-Early notification of network development and timeframes to co-ordinate required service installation.
E	Local Iwi	Ensure development in line with expectations	Keep Satisfied	-No direct communication to date.	-Notification of project scope prior to submitting resource consent of designation applications.
F	Waikato Regional Council	Ensure construction and development aligns with associated discharge consent requirements	Keep Informed	-No direct communication	-Early notification of anticipated consent applications. -Co-ordination of required consent monitoring.
G	Hamilton City Residents	Interested in overall network connectivity benefits	Monitor	-No direct communication.	-Project updates via HCC webpage -Media releases as required
H	Project Consultants	Complete design and investigation	Keep Informed	-No direct communication	-Contractual engagements to provide scoped outcomes and deliverables
I	Rototuna School	Reliant on connectivity	Manage	- Continual communication on various related projects	- Targeted and ongoing communication.

North City Road Urban Upgrade Business Case Appendices



Internal Stakeholder Analysis

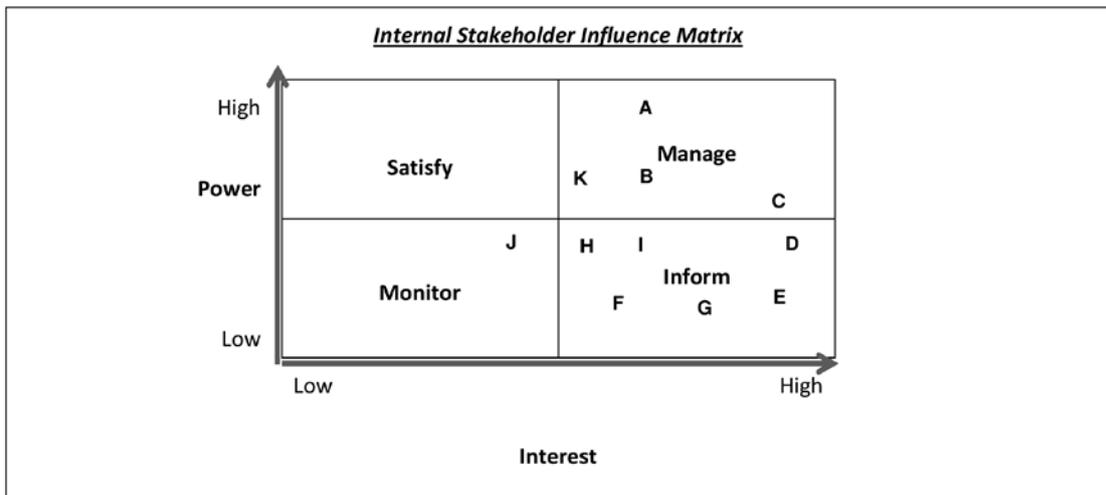
	Stakeholder	Interest in the Project	Assessment of Impact	Project Engagement to Date	Strategies for Engagement
A	Elected Members (Mayor and Councillors)	-Hamilton Plan Delivery -Compliance with strategic alignment -Compliance with 10 Year Plan budgets and timeframes -Councils Reputation	Manage Closely	-No direct communication	-Macro scope approval through Strategy and Policy Committee - Business Case approval from Finance Committee -Regular project reporting
B	Chief Executive and Senior Leadership Team	-Hamilton Plan Delivery -Compliance with strategic alignment -Delivery of Organisational Goals -Compliance with 10 Year Plan budgets and timeframes -Councils Reputation	Manage Closely	-No direct communication	-Early communication of project scope and ongoing progress updates -Review and approval of project Business Case -Regular project reporting
C	General manager City Infrastructure and City Infrastructure Transport and Waste Governance	-Delivery of Organisational Goals -Compliance with 10 Year Plan budgets and timeframes -Service Delivery -Councils Reputation	Manage Closely	-No direct communication	-PGG to include GM City Infrastructure, UM City Development and UM City Transport. -Regular PGG updates including financial and risk information.

North City Road Urban Upgrade Business Case Appendices

	Group (PGG)				
D	City Development Unit – Project Development Team	-Management and delivery of project.	Keep Informed	-Dedicated project manager assigned.	-Identification of a dedicated project manager -Clear definition of project roles and responsibilities -Ongoing communication with all associated parties
E	City Transport Unit	-Will take over subsequent operation and maintenance of the new corridor. Key considerations include safety, operability and maintainability of the new road.	Keep Informed	-No direct communication	-Early engagement regarding proposed scope -Review and approval of all design plans -Post-construction acceptance and defect liability walkovers. -Capitalisation of new assets.
F	Parks and Open Spaces Unit	-Input into landscaping design.	Keep Informed	-No direct communication	-Review and approval of all landscaping design plans.
G	Finance Team	-Monitor financial performance of the project in regard to Council budgets	Keep Informed	-Early engagement regarding 10 Year Plan financial allocations and timeframes.	-Confirmation of HCC 10 Year Plan financial allocations and timeframes. -Ongoing financial monitoring, forecasting and reporting.
H	Planning Guidance Unit	-Review construction related consents in line with statutory requirements.	Keep Informed	-No direct communication to date.	-Early engagement regarding resource consent requirements. -Co-ordination to ensure all required information is provided.
I	Communications Team	-Liaise with media -Facilitate public project update communications	Keep Informed	-No direct communication	-Early and ongoing engagement -Development of a project Communications Plan -Development of media releases as required -Co-ordination of an HCC project webpage
J	City Planning	-Ensure construction in accordance with district	Monitor	-No direct communication	-Early engagement to ensure alignment of scope

North City Road Urban Upgrade Business Case Appendices

		plan, structure plans and associated planning provisions -Updates of plans and maps post-construction			and objectives.
K	Rototuna Suburban Centre PGG	Co-ordination of timing and interaction between the road construction and the adjacent suburban centre development.	Manage Closely	-No direct communication	-Early engagement to ensure co-ordination of development timeframes



2.0 Economic Case

2.1 _____

3.0 Commercial Case

3.1 _____

4.0 Financial Case

4.1 _____

5.0 Management Case

5.1 _____

Committee: Council

Date: 10 December 2015

Report Name: Wastewater Treatment Plant
Capacity Upgrade Business
Case

Author: Christopher Barton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan: Third City Economy in New Zealand Providing Outstanding Infrastructure Hamilton Urban Growth Strategy, Hamilton Economic Development Agenda, 2015-25 10 Year Plan, 2015-45 30 Year Infrastructure Strategy.</i>
Financial status	<i>There is budget allocated Amount \$18,356,000</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 not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval of the \$18.356M Business Case for a significant upgrade of the Pukete Wastewater Treatment Plant, required in order to appropriately treat city wastewater and maintain compliance with resource consent conditions regarding discharge of treated wastewater to the Waikato River.

3. Executive Summary

- A significant upgrade of the Hamilton Wastewater Treatment Plant in Pukete is required in order to appropriately treat city wastewater and maintain compliance with resource consent conditions regarding discharge of treated wastewater to the Waikato River.
- The total project budget is \$18.356M as allocated in the 2015-25 10 Year Plan.
- Investigation and options assessment is currently underway. Construction is programmed to commence in late 2016 with completion in 2020.

7. Recommendations from Management

That:

- The report be received
- The Wastewater Treatment Plant Capacity Upgrade project Business Case is approved.

8. Attachments

9. Attachment 1 - Pukete 3 Wastewater Treatment Plant Capacity Upgrade Business Case

10. Key Issues

11. Background
12. Hamilton City has one municipal Wastewater Treatment Plant (WWTP), located on Pukete Road. The WWTP treats all of Hamilton City wastewater prior to discharging treated effluent to the Waikato River.
13. It has been identified through a recent review that the existing WWTP is nearing its current capacity, and in order to be able to meet the wastewater treatment needs of our growing city and maintain compliance with resource consents for effluent discharge to the river a significant plant capacity upgrade is required.
14. Business Case
15. Council has a management policy that supports the development of robust business cases for selected projects from the 10 Year Plan.
16. The business case approach used by Council is based on the Treasury 2010 Better Business Case (BBC) model which now has wide acceptance throughout New Zealand.
17. The BBC is a five case model incorporating:
 - Strategic case – a compelling case for change, strategic fit and business needs
 - Economic case – preferred option that optimizes value for money
 - Commercial case – Commercially viable over the project term
 - Financial case – affordable from available funding
 - Management case – achievable and can be successfully delivered
18. Staff are seeking Council approval of this business case due to the significance of the project and the capital cost involved.
19. Strategic Case
20. The project will support planned citywide growth and is consistent with the Hamilton 2015-45 30 Year Infrastructure Strategy.
21. This project aligns with the Hamilton Plan including providing outstanding infrastructure and supporting economic development and growth in line with the goal of becoming the third economy in New Zealand.
22. This is part of a program of works including future treatment plant upgrades, reticulation improvements and minor capital and renewal works at plants, which collectively are required to improve overall resilience within the plant and, to meet regulatory and consent requirements.
23. Economic Case
24. The business case supports a capacity upgrade of the WWTP, acknowledging that further investigation and options assessment is required to further refine the project scope.
25. Commercial Case
26. The business case supports the view that the project is commercially viable over the project term and that it can be delivered using a mixture of core in house resources from the City

Development Unit supplemented with specialised resources from the professional services panel and physical works contractors procured through a conventional contract.

27. Financial Case

28. Current estimates indicate sufficient funding is available in the 2015-25 10 Year Plan financial allocations to complete the project as scoped.

29. A summary of the financial details are set out in the Financial and Resourcing Implications section of this report. Section 4 of the business case further describes the financial details for this project.

30. Management Case

31. This project will be delivered using an appropriate management structure with oversight through a Programme Governance Group. Section 5 of the business case describes the management details for this project.

32. Financial and Resourcing Implications

33. The capital cost for the project is funded within the 2015/25 10 Year Plan under CE15117 to a total value of \$18,356,000 as outlined in the table below:

<u>2015-25 10 Year Plan</u> <u>(\$000)</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Total</u>
CE15117 Wastewater Treatment Plant Capacity Upgrade	\$950	\$2,052	\$6,056	\$5,407	\$3,891	\$18,356

34. Consequential project operational and maintenance costs have also been allowed for and are included in current 10 Year Plan allocations.

35. Risk

36. Section 1.12 of the business case includes a summary of the identified risks for this project together with a high level summary of the proposed risk treatments to mitigate those risks. A list of key assumptions is included in section 1.14 of the business case.

37. The project is currently at an investigation stage and as a result of further investigation and options assessment works there is a risk that the current allocated budget is insufficient to deliver a project scope which will meet project objectives.

38. This upgrading work will be required regardless of the future management structure for Waters, noting the current discussions on a potential waters Council Controlled Organization (CCO).

Signatory

Authoriser	Chris Allen, General Manager City Infrastructure Group
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Hamilton City Council Business Case

Pukete 3 Wastewater Treatment Plant Capacity Upgrade

HAMILTON CITY COUNCIL BUSINESS CASE SUMMARY

Summary

Business Case Name: Pukete 3 – Wastewater Treatment Plant Capacity Upgrade

Business Case Type (choose from list): Full

Business Case Focus (choose from list): Address issue

Risk Rating (circle from list): High

Financial Commitment:

Capital expenditure budget of \$18,356,000 allocated in the 2015-25 10 Year Plan:

2015-25 10 Year Plan (\$000)	2015/16	2016/17	2017/18	2018/19	2019/20	Total
CE15117						
Wastewater Treatment Plant Capacity Upgrade	\$950	\$2,052	\$6,056	\$5,407	\$3,891	\$18,356

Consequential project operational costs have also been incorporated in 2015-25 10 Year Plan financial allocations. Further details are provided in Section 4.0 – Financial Case.

Executive Summary

A significant upgrade of the existing Hamilton Wastewater Treatment Plant is required in order to meet the wastewater treatment needs of our growing city and maintain compliance with resource consent conditions regarding discharge of treated wastewater to the Waikato River.

Hamilton City has one Wastewater Treatment Plant, located on Pukete Road, which treats all of the city’s wastewater. A recently completed capacity review of the existing Wastewater Treatment Plant identified that the existing plant is nearing its current process capacity, and that a significant upgrade will be required in order to meet future city wastewater treatment needs.

This project seeks to meet the wastewater treatment needs of Hamilton City through to 2027, based on current city growth and associated wastewater loading projections and existing resource consent conditions.

Investigations are currently underway to further inform options assessment and confirm project scope.

This project aligns with the objectives of the Hamilton Plan, including providing outstanding infrastructure and supporting economic and population growth in line with the goal of becoming the third city economy in New Zealand.

The project is currently funded in the 2015-25 10 Year Plan to a value of \$18.356M; however costs to complete the project and confirmation of construction phasing timeframes are still to be confirmed pending further investigation and options assessment.

Review / Approval Summary	
Prepared By Business Owner  Chris Barton – Project Development Manager	Date: 24 November 2015
Reviewed and Endorsed By PMO	Date: _____
Reviewed By SLT SLT Decision - Refer to Council	Date: 30 November 2015
Ordinary Council Meeting Resolution (adopted following Council consideration)	Date: 10 December 2015

HAMILTON CITY COUNCIL BUSINESS CASE DETAILS

1.0 Strategic Case

Ensuring an appropriate strategic fit and making a robust case for change

1.1 Position (Where are we now - what's the issue / opportunity we are trying to address? Where do we want to be? Define clear SMART objectives that can be directly linked to your proposed outcomes (benefits))

Council is responsible for the collection, transfer, treatment and disposal of Hamilton's wastewater and trade waste. After collection within the city wide interceptor network, it ends up at the treatment plant in Pukete. Here wastewater undergoes treatment before being discharged into the Waikato River.

Since 1975, Council has operated a central wastewater collection and treatment system. Initially this comprised of a city wide bulk wastewater interceptor pipe network leading to a basic treatment process at the Pukete site. Since this time, the number of customers and the quality of treatment expected has increased significantly. Below are the steps Council has taken over the years to meet its legislative obligations, and some major upgrades that have taken place to meet these growth and treatment quality demands.

Time line of wastewater treatment in Hamilton

- In 1975/76 the Pukete Wastewater Treatment Plant was commissioned. This represented the beginning of wastewater treatment at the Pukete site and resulted in the 17 large septic tanks being taken out of service. The plant at this stage consisted of initial screening and primary sedimentation removal prior dosing with chlorine and discharging back into the Waikato River.
- In 2001 a substantial upgrade occurred (Pukete 1) providing secondary treatment, chlorine disinfection was upgraded to UV treatment, and solid stream and centrifuge improvements were made to deal with the solid waste more thoroughly.
- In 2007 Council obtained a new resource to enable continued discharge of treated wastewater into the Waikato River. This consent through a number of stringent new conditions, raised the expectations of the quality that treated wastewater was being discharged into the Waikato River. This influenced the scope of the subsequent upgrades.
- From 2007-2014 an upgrade (commonly known as Pukete 2) was carried out. Pukete 2 was driven by the new compliance expectations, the need to create capacity for growth, and to introduce new technologies available in wastewater treatment. Pukete 2 focused on meeting the forecast growth demand and improved compliance with resource consent conditions in relation to quality.
- In 2011 a limit on phosphorus was introduced impacting on treatment capabilities going forward.
- In 2013 Council ceased the practice of sending our biosolids to landfill. These are now transferred to a private vermicomposting facility in Tokoroa where they are treated further and re-used for land remediation.
- In 2015 Council engaged MWH to carry out a major capacity review of the entire Wastewater Treatment Plant with a view of understanding the capacity of aspects such as hydraulic, treatment process, mechanical, electrical, and to build a biological and hydraulic model that could be used to inform future improvements and upgrades so that informed investment can be made in the right areas. This would enable the impacts of future resource consent conditions to be modelled and understood so that more accurate process improvements and future proof may be considered. The outcomes from this review are now being used to develop the programme of works that will form the next significant upgrade to the Plant (Pukete 3)

Today's operating environment

Council has a responsibility to provide a wastewater service, and are bound by legislation and regulation to do this in a safe, healthy and sustainable way with a central focus on the Waikato River. Council also has to ensure that it is thinking and planning ahead so that as Hamilton grows it can continue to provide this core service. The planning ahead needs to be done so that it delivers what our customers want from us in terms of our service functions, while delivering on its social, cultural, and environmental responsibilities. The Vision and Strategy of the Waikato River, the Sub-Regional Three Waters Strategy, the Hamilton Plan and our responsibilities under the Local Government Act, Health Act and Resource Management Act, all inform influence, and guide how we do this and is summarised below.

- **Vision and Strategy of the Waikato River**

The Waikato River Authority was established in 2010 as the custodian of the Vision and Strategy for the Waikato River. Enabling legislation has given it an important role as the custodian of the Vision and Strategy for the Waikato River. This Vision and Strategy is the primary direction setting document for the Waikato River and activities within its catchment affecting the Waikato River.

Part of the vision is:

“Our vision is for a future where a healthy Waikato river sustains abundant life and prosperous communities who, in turn, are all responsible for restoring and protecting the health and wellbeing of the Waikato river, and all it embraces, for generations to come.

This Vision and Strategy is:

*Te Ture Whaimana o Te Awa o Waikato
Tooku awa koiora me oona pikonga he kura
The river of life, each curve more
tangihia o te maataamuri
beautiful than the last”.*

- **Sub-Regional Three Waters Strategy**

The key strategic issues that we face in delivering our services to the community have been identified through the development of this Sub-regional Three Waters Strategy and coupled by issues specific to our city. These issues are presented in terms of our service statements. This strategy was adopted by Hamilton City, Waikato and Waipa District Councils in 2012, who have committed to the shared vision of:

“The delivery of integrated, sustainable and well managed Three Waters services for the sub-region which ensures the cultural, social and economic needs of the community are met and the quality of the Waikato River is improved.”

The keys statements within this strategy that encapsulate and aim to address the specific issues that are faced by the city are:

- Protect the health and safety of the community and the people who provide the activity

Ensuring the protection and improvement of public health and safety and providing appropriate wastewater services is fundamental to the safe sanitisation of our community. If we get this wrong we can affect the health and wellbeing of the entire community

- Provide a reliable, resilient and responsive wastewater service

Ensuring the protection and where possible the enhancement of the natural environment is an essential outcome of a reliable and resilient service. If we have asset failures or do not plan and adapt to the predicted effects of climate change the amount of overflows from our networks and treatment plants will increase in both frequency and volume. We have already experienced these issues through at our wastewater treatment plant which resulted in a conviction under the Resource Management Act.

- Plan for future growth and demand

The wastewater activity must meet future and planned for growth demands, how we do this is a combination of capital expenditure, programming and a need for integration of: relevant council departments inter council departments, three waters and land to ensure infrastructure is available.

- Ensure sustainable, environmental and economic delivery which meets customer expectations

With the introduction of the Te Ture Whaimana o Te Awa o Waikato – Vision and Strategy for the Waikato River and the river acts, there is a requirement for co-management of the river. Our relationship with Waikato Tainui is constrained as our activity relies on the Waikato River as the disposal method for our treated effluent. The Waikato River is a significant water body to iwi, the practice of treated effluent disposal is believed to interrupt the mauri (life force) of this water.

- **Hamilton Plan**

The Hamilton Plan is Council’s plan to build a stronger economy and a more attractive city for families. This Plan was adopted by Council in 2015. A strong connection to the Waikato River and providing outstanding infrastructure are both ranked within the top four overall priorities required to achieve this plan.

• **Regulatory considerations**

- The Local Government Act 2002 describes the provision of a wastewater service as a core service of Council. As such Council must meet the current and future needs of the city in an efficient and effective way. Discharge into the Waikato River and the necessary measures necessary to ensure this remains a swimmable water body does contribute to Hamilton ranking as high when comparing our costs of providing a wastewater service when compared with other metro Councils (*Water New Zealand – 2012/13 National Performance Review of Water Utilities*).
- The Health Act 1956 requires Council to improve, promote and protect public health by providing a wastewater service and then to provide adequate monitoring to ensure compliance.
- The Resource Management Act 1991 requires us to have resource consents for non-permitted activities. Each of these consents contain conditions which obligate Council to achieve and maintain a certain level operation, mostly in the area of environmental quality. Consents are held for the following activities, (as well as for a number of minor consents consequential activities):
 - Discharge of treated wastewater into the Waikato River
 - Discharge of contaminants to air, e.g. odour from our wastewater treatment plant
 - Take and use of water for wastewater treatment purposes from the Waikato River
 - Discharge of stormwater from the wastewater treatment plant into the Waikato River
 - Retainment of biosolids. This process no longer occurs, but we must manage the stockpile in perpetuity.

Looking ahead to the Future

Providing a wastewater and trade waste service for the community of Hamilton is to remain a core function of council or a subsequent Council controlled organisation. In order to maintain our current levels of service within a growing city, future upgrades will be needed.

The capacity of our treatment plant to treat wastewater and trade waste is based on a combination of volumetric (actual flow) and the strength of contaminant loads in the flow. Some parts of our wastewater treatment plant are already at capacity and will require upgrades to ensure resource consent compliance.

In 2018, Regional Council will review the discharge consent and this may result in a change in conditions or require further improvements in treatment quality.

Our wastewater network and therefore the treatment plant experiences higher flows during rain events. Climate change information is predicting storms of greater frequency and intensity which combined with Councils focus on reducing overflows will increase the risks associated with high flow events at the WWTP. Our key stakeholders have indicated that our past performance in management of these flows is not sufficient, and we anticipate that future management of these flows will be a requirement of any future treated wastewater discharge consents.

The projected population of Hamilton is expected to increase by 30% over the next 20 years. To ensure that we have the capacity both in volumetric and biological treatment, as well as prudent level of redundancy we plan on a series of upgrades at the treatment plant. These upgrades, as identified in the 2015-45 30 Year Infrastructure Strategy, include:

Project	Funded Expenditure \$ (millions)		
	2015-25	2026-35	2036-45
WWTP Capacity Upgrade (Pukete 3)	18.356		
WWTP Asset Renewals, Systems Upgrades and Minor Capital Improvements	23.8	22.4	22.4
WWTP Capacity Upgrade (Pukete 4)		31.0	
Wastewater Treatment Plant Wet Weather Upgrade		21.2	
WWTP Capacity Upgrade (Pukete 5)			31.0

Major capital investment is also being supplemented by a number of operational initiatives and renewals to help manage the amount of inflow and infiltration that can enter our networks during storm events. Even with these measures, there will not be an absolute reduction in flow so capacity upgrades will still be required.

Our challenges

The challenges for Council at the Wastewater Treatment Plant WWTP need to be understood and be considered as a whole so that they accurately inform planning and investigations with a focus on making the right investments, in the right places, at just the right time to manage growth and maintain compliance, while not overinvesting where not needed.

The WWTP is a biological treatment plant which relies on a number of biological activities throughout the treatment process to ensure that wastewater is treated to the necessary standards. This is a complex environment which needs to be carefully continuously managed.

Within the WWTP it is important to differentiate between the hydraulic capacity (amount of flow that can be handled and moved around within the Plant), versus the biological capacity (the rate and effectiveness of the bacteria and living organisms working to break down and remove the various nutrients and contaminants). In simple terms, the hydraulic capacity is what prevents physical overflows, while healthy biological processes are what produce the treatment necessary to remove the nutrients and contaminants to meet consent conditions. Although these are absolutely interlinked, redundancy, resilience, capacity, and compliance between the two are quite different, and yet in the context of the WWTP, these need to be aligned and planned for together to deliver overall.

Key considerations in the planning stages of the next upgrade are discussed in more detail below.

Growth and development planning

Since the last upgrade (Pukete 2), there have been changes to the growth predictions and activities which are now being factored in to the Pukete 3 upgrade.

- The 2015 10 Year Plan and Long Term Infrastructure Strategy has been developed with revised population projections which are for positive growth. These new numbers have been used in developing the 3 waters network model to forecast expected wastewater demand.
- Major tradewaste discharges from new industry can consume large portions of treatment capacity at the WWTP.
- Some industrial areas not previously included in projections are now considered nationally significant such as Ruakura which is now included in our wastewater calculations.
- Version 1 of the Wastewater Master Plan (for network reticulation) was finalised on 26 June 2015. This document pulls together and aligns all of the strategic work for wastewater and identifies a critical path, balancing the capital investments between treatment capacity and reticulation operation requirements.

A key objective of the master plan is to ensure the nature and timing of infrastructure requirements are understood and planned for in order to support growth, and to optimise the use of existing infrastructure as much as practicable to avoid or delay network upgrades.

This first version has informed long term funding predictions at a high level and is one of the key documents informing the wastewater components of the; HCC Infrastructure Strategy, 10 Year Investment Plan, and the Long Term Infrastructure Strategy.

Importantly, the master plan is based on the recently completed 3 waters model that utilises the 2015 10 Year Plan population projections. Prior to this, network performance and growth implications were less accurate, with the emerging reality being higher demand than historically anticipated.

- Hamilton has good supplies of industrial land that is now available for businesses to establish. The economic development this represents is a high priority and welcome in the city, however brings the potential for wastewater and trade waste outputs that can impact the biological health of the Plant, quickly eroding biological capacity. Currently about 16% of the wastewater inflow received at the plant is trade waste, however this accounts for a disproportionate share of the biological capacity of the WWTP. Future planning assumes this ration remains true. New wet industries wishing to operate within the city could change this and will need to be considered on a case by case basis and can require additional measures to manage.

Compliance and regulatory environment, and key stakeholders

- Hamilton City Council has a resource consent to discharge treated wastewater into the Waikato River until 2027. When

the consent was last renewed in 2007, it introduced much stricter limits on nutrient and contaminant loads allowed to be discharged. Council was given a timeframe to carry out a programme of works (Pukete 2) which would bring the Plant up to a level that would be operationally compliant.

- The discharge consent has provision for Regional Council to review the conditions, with the first review to be carried out in early 2018.
- In 2012 we invested in international assistance to improve our performance. This has helped, however our monitoring tells us that over the last three years we have had difficulty in meeting resource consent conditions due to a number of factors including; composition of the wastewater received, asset condition and operational performance. Since completion of the last capital upgrade the WWTP has maintained a high level of compliance. This is an indication of success; however there is an ever present risk of external factors such as chemical shocks, or significant sustained rainfall events which can immediately affect the health of the biological processes, resulting in breach of our resource consent conditions. This current position of compliance will also be eroded through growth, particularly industrial tradewaste growth.
- An important detail of the consent is that the acceptable nutrient and contaminant limits are a total number. It is the total maximum limit per day and does not increase per capita or as flows increase into the WWTP with new industry or residential growth. As the city grows, the Plant must treat wastewater more and more effectively so as to remain within the total daily limits imposed. This means that although the volume of treated wastewater being discharged into the Waikato River will increase over time, the concentration of nutrients and contaminants must continue to decrease meaning higher and higher standards of treatment will be needed.

The table below outlines the key limits which must be met under the current consent.

Parameter	2006	2007	2010	2011 - 2027
BOD (g/m ³)	20	20	10	10
Suspended Solids (g/m ³)	30	30	15	15
Total Nitrogen (kg/day)				
Summer	500	500	450	450
Winter	1700	1700	1500	1500
e-coli (cfu)	1000	800	126	126
Phosphorus (kg/day)				
Summer				100
Winter				700

- Consent monitoring of the 2014/15 period shows partial compliance with existing consent conditions.
- The National Fresh water policy statement, the Waikato River Vision and Strategy and, the emerging Healthy Rivers Regional Council Plan change are all targeting significant improvements in the quality of discharges to water bodies. The Waikato River vision and strategy sets a range of expectations, one of which is to develop and implement a programme of action to improve the health and wellbeing of the Waikato River. In 2027, when the city's new resource consent is required, or as part of a review of the existing consent, it is possible that new and even lower limits could be set which will significantly increase the level of treatment necessary before discharging to the Waikato River.
- In an effort to better manage the performance of the wastewater reticulation network and to reduce wastewater overflows, the Wastewater Master Plan version 1 suggests various network improvements over time to better contain wet weather flows. This will be through a balance of more efficient flow through the network with works such as the Far Western Interceptor extension, and Moreland Ave upgrade works, along with offline storage at strategic locations that will hold any excess flow, releasing it when downstream flow allows. This will mean that the WWTP will see an overall increase in flows and duration of flows that will arrive for treatment and therefore increase the pressures on the biological process to effectively remove the nutrients and contaminants. This additional loading is on top of any city growth.

Hydraulic performance

- Peak flows from extra ordinary rainfall events present the primary risks. Wet weather management is a key area of focus both in the wastewater master plan, and within the capacity review, This risk is unpredictable with an unknown frequency and so it needs to be considered both within the normal operational context of the Plant, and as a separate issue for the more extreme potential events. Parameters within which to reasonably plan for are yet to be identified and agreed with stakeholders.
- Difficulty in managing peak flows combined with localised asset failures has already been experienced at the WWTP which resulted in a conviction under the Resource Management Act in 2012. We have worked closely with our key stakeholders through this event, but know that developing a reliable solution is a priority and will be a key discussion in developing any future wastewater discharge consents.
- WWTP currently has a primary treatment capacity of about 2,000 litres per second which was exceeded briefly in 2014

Biological performance

- Following Pukete 2 upgrades the WWTP has a secondary treatment capacity of 600 litres per second which is expected to be exceeded by about 2020 (in 2015 TYP population projection terms). Reliance on biological wastewater treatment puts constraints on the amount and type of contaminants that can be successfully received and treated from trade waste and wet industry operators.
- In 2014 a biological shock was experienced at the WWTP. The effect of a significant change in the chemical profile of the wastewater being received was that it significantly disrupted the living processes entirely. This was an indication of the type of event that can reasonably take place within the network. This has demonstrated the WWTP has a lower level of resilience than necessary, and that the health of the biology and therefore the performance at the plant can be impacted by external events.

Redundancy

- Council has accepted the need for improved redundancy on all critical assets. Through the 2015 capacity review and subsequent investigations, we are now closer to understanding what work will be required to have this level of redundancy in place.

Capital works

- Following the Global Financial Crisis, the 2009 Long Term Plan, in an effort to balance the books, recast growth projects reducing planned works to only those contractually committed. The only capital work carried out at the WWTP was Pukete 2 with all other planned upgrade works deferred. Within the Pukete 2 works, opportunities for savings were explored and resulted in innovative solutions being found enabling some works to be deferred. Most notably the construction of a third \$9M digester was able to be deferred by up to 7 years from 2012 based on capacity required.

- In 2015 a significant capacity review was carried out of the entire WWTP and aimed to thoroughly investigate the capacity of all individual process units. This included full biological process modelling, hydraulic modelling, inspection of electrical systems, review of previous designs investigations and studies, and review of the asset management database. The review established that some components in isolation had capacity to cater for growth well past the current forecasting horizons. It also found that others had reached safe operating capacity, and in some cases already had existing work around in place to overcome the capacity issues. The review also established that more information would be needed in a number of areas before any upgrades could be carried out. Specifically work needed to be done to increase ability to measure and monitor each part of the process and further more detailed investigations over time needed to be carried out for some processes.

The capacity review developed a clearer picture of how the composition of the wastewater inflow arriving at the WWTP has changed since the last capacity review completed in 2006. There has been an increase in nutrient and contaminant loads higher than the increase of actual flow arriving at the WWTP. This means the water is worse than it used to be, with higher concentrations of nutrients and contamination.

From the table below, the average daily flow has increased 15% since 2006, while Chemical Oxygen Demand and Total Suspended Solids have both increased 50%, and Biological Demand, 24% meaning the treatment process needs to be operating more efficiently than what it was previously expected to.

Parameter	2006	Plant Data 2011-2014	Increase since 2006
Average Day Flow (m ³ /d)	39,100	45,095	15%
Maximum Month Flow (m ³ /d)	52,000	53,025	2%
Maximum Day Flow (m ³ /d)	116,200	139,823	20%
Chemical Oxygen Demand(kg/d)	20,768	31,340	51%
Biological Oxygen Demand(kg/d)	10,940	13,530	24%
Total Suspended Solids (kg/d)	14,310	21,285	49%
Total Nitrogen (kg/d)	2,040	2,300	13%
Ammoniacal Nitrogen (kg/d)	1,050	1,265	20%

2015-25 10 Year Plan

Through the process of developing the 2015-25 10 Year Plan, a number of options were considered and consulted on. The preferred option in principle was to increase treatment capacity at the current wastewater treatment plant. While further investigation is needed to confirm this approach and to refine the project scope, capital funding is allocated in years 1 to 5 of the current 10 Year Plan.

Waikato Sub-Regional Waters Study

The proposed Pukete 3 upgrade aims to maintain compliance with the existing resource consents for wastewater treatment and discharge as well as cater for planned growth through to 2027 within Hamilton. Because the WWTP only serves Hamilton, these upgrades are not considered to be impacted by potential changes to ownership, operation and management of waters assets as a result of the current Waikato sub-regional waters study.

Pukete 3 - Project Scope

The scope of the preferred option for Pukete 3 upgrade is to deliver a programme of works that will upgrade key aspects of the WWTP so that it will operate to the expected levels of service and also provide for the forecast growth through to 2027.

The 2015 capacity review was the first step in developing a financially unconstrained scope for future upgrade identifying more potential upgrade projects than funding in the 2015-25 10 Year Plan allows for. The authors of the capacity review facilitated a workshop with Council staff to discuss the list of potential projects, and to prioritise them in light of the established goal for the Pukete 3 upgrade. This approach remains within the funding available in years 2-5 of the current 2015-25 10 Year Plan, deferring some works not essential to meet this objective.

The remaining projects were consolidated into the following work streams based on outcomes. Because the capacity review was not intended to provide sufficient detail to define actual extents of work required these work streams are to become the focus of further investigation to confirm the extent of works required to deliver the necessary outcomes.

1. Total Nitrogen compliance(a top priority right now)
2. E-coli compliance
3. Wet weather flow management (Secondary treatment bypass reduction)
4. Other minor works within the WWTP

Each of the work streams will follow the project steps outlined below.

- **Investigation** - Building on the findings from the capacity review to confirm upgrade requirements.
- **Concept and Functional Design** - Once investigations are complete, concept and functional design will provide enhanced scope definition, cost estimates, project risks, and impacts on existing WWTP operation.
- **Detailed design, Contract Documentation and Procurement** – This will provide comprehensive procurement packages for all identified works including construction estimates, risk registers with mitigation requirements at a detailed project level, a shutdown schedule to integrate with WWTP day to day operations.
- **Construction** – Expected to begin on enabling works in 2016

Do Nothing

Although the WWTP is currently operating within its resource consent requirements, recent external events have adversely impacted on the biological health of the plant. Also as city growth continuing to operate within the strict consent limits will not be possible. We have a period of time before these issues will be realised and feel that the preferred option can be delivered within this time frame. For these reasons doing nothing is not any option as it will not provide for the growing demands of the WWTP, nor will it leave adequate time to make any upgrade improvements.

Summary

The overall goal for the Pukete 3 project is:

“To provide an affordable upgrade of the Pukete Wastewater Treatment Plant, facilitating city growth and enabling consent compliance to 2027 based on current consent conditions and growth forecasts, by June 2020.”

The approach of the business case supports a staged approach to the Pukete 3 upgrade adopting a target of maintaining compliance and capacity requirements for the current known demands. By investing early in comprehensive investigations it will set us up for optimised investment now while providing a robust foundation to then plan future upgrades (Pukete 4 etc.) when required. We have identified that risks exist around what future resource consent conditions will require of our treatment processes and that past 2027 or during the 2018 and subsequent consent reviews, there may be new steps required that are not enabled by works undertaken as part of Pukete 3.

1.2 Outcomes

What are the expected outcomes that will be delivered as a result of this work - Develop these with Stakeholders along with SMART objectives and defined long term value for money this BC work will deliver

Outcomes

The project will:

- Identify, confirm, and implement the relevant treatment process improvements to enable compliance with consent conditions through to 2027.
- Identify, confirm and implement capacity upgrades necessary to cater for increased inflows;
 - From growth through to 2027 (Average Daily Flow of 56ML/Day based on current growth estimates),
 - From network improvements (inflow and infiltration, and overflow reductions) and,
 - To maintain appropriate hydraulic and biological levels of redundancy.

Wastewater Master Plan

The project is consistent with the objectives of the Wastewater Master Plan. For example, the project will “ensure the nature and timing of infrastructure requirements are understood and planned for in order to support growth”, and will “optimise the use of existing infrastructure as much as practical to avoid or delay upgrades.

Capacity Review

The capacity review completed in 2015 identified a range of upgrade projects required to bring all individual steps of the treatment process into alignment in terms of available capacity (refer attachment 1.1). Some upgrades while desirable are not urgent right now and have been deferred until after 2019/20. This project will build on the investigations of the capacity review to confirm the details of the required upgrades before delivering them.

1.3 Strategic Alignment

Describe how the proposed work aligns to either individual or multiple HCC strategies (which in turn support the Hamilton Plan (http://www.hamilton.govt.nz/our-council/hamilton-plan/Documents/HAM0001%2010%20Year%20Plan_web.pdf) (<http://www.hamilton.govt.nz/our-council/our-city-strategies/Pages/2010-2015.aspx>).

Providing core wastewater services in a sustainable manner now and as the city grows is well aligned with a number of Council's strategies and plans.

Strategic document		How this project delivers
Hamilton Plan	We want to: <ul style="list-style-type: none"> - Provide outstanding 	The project is well aligned with the Hamilton Plan, it will: <ul style="list-style-type: none"> - Deliver outstanding strategic wastewater infrastructure solutions to support economic development and growth in

	<p>infrastructure</p> <ul style="list-style-type: none"> - Build a strong connection with the Waikato River 	<p>Hamilton</p> <ul style="list-style-type: none"> - Take steps to ensure compliance with the current consent conditions for treated wastewater discharge.
Future Proof	<p>Future Proof outlines how the Hamilton, Waikato and Waipa region will develop moving forward.</p>	<p>This project delivers on future proof vision by contributing to;</p> <ul style="list-style-type: none"> - Affordable and sustainable infrastructure - A healthy Waikato River as the heart of the regions identity
Economic Development Agenda	<p>Sets the scene for Council to work with the city's business community and others to energise economic growth and strengthen Hamilton's contribution to the New Zealand economy.</p>	<p>This delivers on the development agenda by:</p> <ul style="list-style-type: none"> - Providing cost effective and productive infrastructure to enable the city to function and prosper.
Sustainable Hamilton	<p>Changing the way we live for a better future</p> <p>Three priorities:</p> <ul style="list-style-type: none"> - Healthy natural environment - City living and business - Leadership and collaboration 	<p>This project will contribute to the Sustainable Hamilton priority of 'City Living and Business' by providing infrastructure that enables planned residential development while managing its impact on the natural environment</p> <p>A healthier plant will treat wastewater more effectively with lower risk to the community and the environment.</p>
Hamilton 30 Year Infrastructure Strategy	<p>Identifies the significant investments needed within the city.</p>	<p>This project is necessary to facilitate the growth as assumed in the 2015-45 30 year infrastructure strategy</p> <p>This project delivers improved resilience and increased capacity which are identified as a key investment.</p>

1.4 Organisational Context

Outline how this work will assist HCC achieve its business goals (Refer HCC's Hamilton Plan)

The project will contribute to delivery of Council's business goals of providing outstanding infrastructure to embrace growth while maintaining levels of service for residents and businesses within Hamilton.

The project is being delivered by the City Development Unit who plan and manage the transport and 3 waters inputs into future city growth, planning, development and city improvements. The unit focuses on strategic direction including planning, managing and delivering innovative infrastructure solutions for water, wastewater, stormwater, solid waste and transportation.

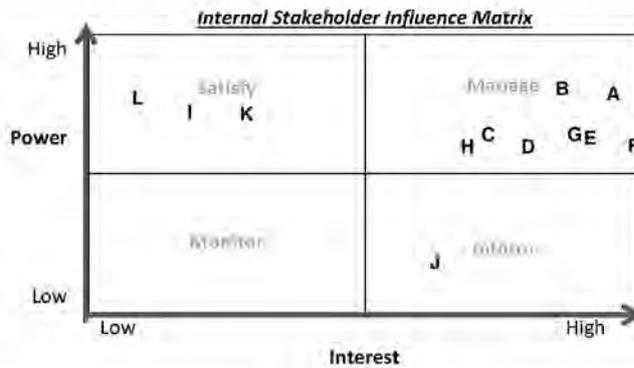
Through the 10 Year Plan process, City Infrastructure has responded to the challenges of balancing the complex operational and regulatory environments with a constrained fiscal environment to propose the preferred option. This aims to conduct extensive investigations enabling investment to then be made in the right places at just the right time.

Business Goal	Project Relevance
Hamilton City Council's Purpose	<ul style="list-style-type: none"> • Shaping a world class city through smart thinking and exceptional service. • Providing an appropriate and sustainable wastewater service for the city is core purpose of Council • Provide additional capacity to manage compliance and growth
Embrace Growth	<ul style="list-style-type: none"> • Deliver infrastructure Solutions <ul style="list-style-type: none"> ○ Upgrade of the WWTP will facilitate planned city growth, and give effect to the District Plan, Future Proof and the infrastructure investment priorities established by the 10 Year Plan. • Leverage the best opportunities <ul style="list-style-type: none"> ○ The aim of this upgrade delivers the right outcomes at the right time to minimise sacrificial investments while maximising growth opportunities. ○ Synergies between works at the Water Treatment Plant and the Wastewater Treatment Plant will be explored
Best in Business	<ul style="list-style-type: none"> • Right People, Right Outcomes <ul style="list-style-type: none"> ○ Stakeholder analysis and communication planning in keeping with project management best practice will enable the success of this project and ensure the right outcomes for the city are delivered • Do The Basics Well <ul style="list-style-type: none"> ○ This project delivers core infrastructure to enable the growth as anticipated through the 2015-25 10 Year Plan

	<ul style="list-style-type: none"> ○ Ensuring Council's project management principles are utilised throughout the implementation will ensure effective delivery of appropriate outcomes ○ Innovation is embraced. • Financial Sustainability <ul style="list-style-type: none"> ○ Works will be delivered within existing 10 Year Plan budgets and in-line with programmed financial timeframes, and will maximise savings through contract model opportunities ○ Minimising investment in temporary or sacrificial infrastructure • Wow The Customer <ul style="list-style-type: none"> ○ High quality infrastructure supports doing business in Hamilton
1.5 Organisational Impact	
<i>How / where does this piece of work integrate with / impact on the rest of the organisation's activities?</i>	
<p>The project impacts on the organisation across a number of units and functions.</p>	
<p>City Development</p>	
<p>City Development Unit will manage the project through all phases. This will be undertaken using existing internal and external resources, the Professional Services Panel, and physical works contracts as necessary. The project phases include:</p>	
<ul style="list-style-type: none"> • Investigation (partially completed through development of the 2015 capacity review) • Concept and functional design • Detailed design, Contract documentation, and Procurement • Construction • Project commissioning and close out 	
<p>City Waters</p>	
<p>City Waters is responsible for levels of service for water across the city. Planning and implementation of this project must be integrated with day to day operations, compliance, and minor projects and renewals planned by the City Waters Unit. This will include close liaison at each project phase.</p>	
<p>The Pukete 3 upgrade needs to be delivered while maintaining full operational capabilities necessary at the WWTP to continuously offer the expected level of service. The works will require shutdown and manipulation of current processes so that upgrades can be carried out. This will impact operations staff. The project team will need to recognise this and provide adequate resources to manage planning and liaison with existing processes so as not to overload operations staff.</p>	
<p>City Environment – Planning Guidance Unit</p>	
<p>Planning and implementation of this project must be integrated with the Planning Guidance Unit (PGU). PGU staff will need to process outline plans, land use consents and certify compliance with any conditions as part of administering the regulatory functions of Council (as the territorial authority) under the Resource Management Act. Therefore PGU requires an understanding of the timing and scope of the future transport network and infrastructure necessary to facilitate development.</p>	
<p>Finance</p>	
<p>The finance group, through a project financial accountant, will be required to review financial elements on an ongoing basis. This will include financial reporting, calculation of debt funding, and capitalisation of assets.</p>	
<p>Procurement</p>	
<p>The nature of major treatment plant works often results in complex contract models used to share risk and to enable innovation. This can be for professional services and physical works phases. Close liaison with the Procurement Management team will be necessary for advice and support.</p>	
<p>Communication</p>	
<p>This project involves working closely with existing stakeholders and communicating to the wider community from time to time. City Waters currently hold and manage the relationships with the significant stakeholders and will continue to do so with support from the project team.</p>	
<p>The Communications team will be required to manage the development and implementation of a communication plan for the wider community including any media releases and enquiries.</p>	
<p>1.6 Stakeholders</p>	
<p><i>Need to be identified and their level of influence and interest in the BC needs to have been defined – use the analysis tool if helpful D-1166068.</i></p>	
<p>The City Waters has an established a stakeholder database for the day to day operations of the Wastewater Treatment Plant, and meet with key stakeholders often. As City Waters currently hold and manage these relationships with key stakeholders they will</p>	

continue to do so through the Pukete 3 project with support from the project team.
 This database has been used as a starting point and built on to develop the list of stakeholders for this project. There is some cross over, however stakeholders have been assessed based on the requirements of this project. The following summarises the stakeholders and is separated by **Internal** and **External**.

The assessment of their impact has been described using Council’s Project Stakeholder Management – Tools and Techniques.



Internal Stakeholder	Interest in the Project	Assessment of Impact	Potential strategies for gaining support or reducing resistance	Engagement with this project to date
Elected members (Mayor and Councillors) (A)	<ul style="list-style-type: none"> - Hamilton Plan Delivery - Compliance with strategic alignment - Compliance with 10 Year Plan budgets and timeframes - Council’s Reputation - Not holding up people wanting to develop. 	Manage closely	Provide sufficient information and opportunities for Elected Members to understand project status and potential risks by: <ul style="list-style-type: none"> - Reporting the business case and any private developer agreement for approval to the Finance Committee - Regular project reporting via Key Projects Report as the project progresses - Use of exec updates 	<ul style="list-style-type: none"> - Financial Committee reports - Exec updates
CEO and Senior Leadership Team (SLT) (B)	<ul style="list-style-type: none"> - Hamilton Plan Delivery - Compliance with strategic alignment - Delivery of Organisational Goals - Compliance with 10 Year Plan budgets and timeframes - Council’s Reputation 	Manage closely	Provide sufficient information and opportunities for SLT to understand project status and potential risks by: <ul style="list-style-type: none"> - Reporting the business case for review and approval by SLT ahead of submission to Finance Committee - Regular project updates on progress and risks through General Manager City Infrastructure 	<ul style="list-style-type: none"> - Corporate risk register – under contingency plans. - Agenda item in SLT.
General Manager City Infrastructure and City Infrastructure Group Project Governance Group (PGG) (C)	<ul style="list-style-type: none"> - Delivery of Organisational Goals - Compliance with 10 Year Plan budgets and timeframes - Service Delivery - Council’s Reputation - Stakeholder management 	Manage closely	Engage with PGG on strategic and project governance issues through: <ul style="list-style-type: none"> - Providing regular PGG updates on high level financial and project risks - Coordinating of activities and projects between City Development and City Waters 	<ul style="list-style-type: none"> - The project has been an agenda item in the PGG throughout the 2015/16 year.
City Development (D)	Staff will be responsible for the delivery of projects contained within the programme of works that are to be delivered including: <ul style="list-style-type: none"> - Investigations and studies 	Manage closely	<ul style="list-style-type: none"> - Appoint a dedicated project manager who will define project roles and responsibilities - Engage to coordinate other City 	<ul style="list-style-type: none"> - City Development project managers have been involved in this project since it began.

	<ul style="list-style-type: none"> / reports - Wastewater Treatment Plant Upgrades - Project management, delivery of project and developer liaison - KPI reporting for this business case 		Waters works managed by City Development.	
City Waters – Unit Manager (E)	<ul style="list-style-type: none"> - Project Sponsor (UM) 	Manage closely	<ul style="list-style-type: none"> - Engage directly at each project phase - Engage through PGG 	<ul style="list-style-type: none"> - Involved with PGG meetings to date
City Waters – Plant Operators (F)	<ul style="list-style-type: none"> - Operate WWTP on a day to day basis - KPI reporting for this business case 	Manage closely	<ul style="list-style-type: none"> - Throughout all phases of the project, ensure the operations team are appropriately involved in decision making processes. - Ensure the project team liaise closely with the operations team to understand their ongoing operational context and upcoming works. Eg attend process meetings or other appropriate forums to ensure integration with plant operations. 	<ul style="list-style-type: none"> - City Waters project managers and plant operators have been involved in this project since it began. - Has been involved in project scope and outcomes to date.
City Waters – Compliance Team (G)	<p>This team is responsible for</p> <ul style="list-style-type: none"> - managing trade and tankered waste discharges - managing consent compliance and relationships with the Regional Council. 	Manage closely	<ul style="list-style-type: none"> - Throughout all phases of the project, ensure the compliance team are integrate and informed. 	<ul style="list-style-type: none"> - City Waters compliance team are aware of this project since its conception and have assisted in the planning of the works as and when required.
City Waters – Asset Team (H)	<ul style="list-style-type: none"> - Owner of wastewater infrastructure - Provision of wastewater infrastructure in line with growth requirements - capitalising new assets - planning preventative maintenance 	Manage closely	<ul style="list-style-type: none"> - Throughout all phases of the project, ensure are either part of the decision making process for those projects that they are managing or are being kept informed regarding the projects that are being delivered to ensure integration with plant activities 	<ul style="list-style-type: none"> - Are aware of this project since its conception and have assisted in the planning of the works as and when required.
Procurement Management team (I)	Procurement and contract administration compliance	Keep satisfied	<ul style="list-style-type: none"> - Provide opportunities for PMT to be involved early in the development of the procurement plan in accordance with Council policy - Seek early advice and confirmation of proposed procurement strategy (methods and timing) from PMT 	<ul style="list-style-type: none"> - Are aware of this project and have assisted in the procurement planning.
Communications Team (J)	<ul style="list-style-type: none"> - Liaise with media - Develop and support implementation of all project communication - Assist with emergency plan implementation 	Keep informed	<ul style="list-style-type: none"> - Work with Communications Team to establish a single source for external engagement and develop a Communication Plan - Part of the City Waters team to deliver the existing contingency plan. 	<ul style="list-style-type: none"> - Are aware of this project and have assisted in previous contingency planning
Finance Team (K)	The finance team provide financial monitoring of the project through AX.	Keep satisfied	<ul style="list-style-type: none"> - As and when required, Finance Team will be involved to provide financial information regarding this project. 	<ul style="list-style-type: none"> - Are aware of this project since its conception and have assisted in the financial planning of the works as and when required. -
City Environment	<ul style="list-style-type: none"> - Processing team for any 	Keep satisfied	Provide opportunities for early	<ul style="list-style-type: none"> - None to date.

<p>– Planning Guidance (L)</p>	<p>consents required - Regulatory compliance</p>		<p>engagement with relevant PGU staff and use the existing pre-application process to confirm regulatory requirements prior to lodging any consent applications, outline plans and the certification of plans required by designation conditions</p>	
<p>Health and Safety (M)</p>	<p>- Delivery of Organisational H&S Goals - Council’s Reputation</p>	<p>Monitor</p>	<p>Involve Health and Safety staff in relevant parts of the project phases and ensure any site safety plans are reviewed by Health and Safety team Early engagement with Health and Safety staff where high risk activities are identified</p>	<p>- General involvement in WWTP activities. - Is considered at all stages of works</p>

External Stakeholder Influence Matrix				
		Low	High	
High	Satisfy	F	G	Manage
Power				C H D
Low	A	E	B	J I K
		Monitor	Inform	
		Low	High	
		Interest		
External Stakeholder	Interest in the Project	Assessment of Impact	Potential strategies for gaining support or reducing resistance	Engagement with this project to date
Hamilton City Residents/rate payers (A)	<ul style="list-style-type: none"> - Continuity of wastewater treatment capability - No impacts on the River due to treatment Plant overflows. - No restrictions in recreational summer use of the river. 	Monitor	<ul style="list-style-type: none"> - Updates as appropriate - Consultation through subsequent 10 Year Plan 	<ul style="list-style-type: none"> - Consultation was undertaken through the 2015-2025 LTP for Capacity Upgrades to the Wastewater Treatment Plant
Businesses and Industry within Hamilton City (B)	<ul style="list-style-type: none"> - Continuity of Wastewater Treatment Capability. - No restrictions to industrial / commercial growth due to wastewater Capacity issues. 	Keep informed	<ul style="list-style-type: none"> - Updates as appropriate - Consultation through subsequent 10 Year Plan - Trade waste consent process. 	<ul style="list-style-type: none"> - Information has been provided to Council's high water users, as to why Council needs to issue water restrictions. - Consultation was undertaken through the 2015-2025 LTP for Capacity Upgrades to the Wastewater Treatment Plant
Waikato Tainui (C)	<ul style="list-style-type: none"> - Protection of the Waikato River - Waikato Tainui have expressed their concerns and needs through the Waikato Tainui Environmental Plan, Tai Tumu Tai Pari Tai Ao. 	Manage closely	<ul style="list-style-type: none"> - City Waters and Waikato Tainui have a formal monthly liaison meeting where key strategic projects are discussed. - Specific requirements as set out in Waikato Tainui's Environmental Plan, Tai Tumu Tai Pari Tai Ao will need to be met through design and procurement decisions and construction techniques employed. 	<ul style="list-style-type: none"> - Waikato Tainui are aware that Council are looking at solutions to the capacity issues at the Wastewater Treatment Plant. These conversations have taken place as part of City Waters and Waikato Tainui's formal monthly liaison meetings.
Waikato Regional Council (WRC) (D)	<ul style="list-style-type: none"> - Administration of the Resource Management Act - Protection of the Waikato River - The requirements are set in our resource consent to discharge wastewater and the Waikato Regional Plan 	Manage closely	<ul style="list-style-type: none"> - Current projects in and around wastewater includes a communication plan which will be in place for the duration of this project - Specific requirements as set out in the Waikato Regional Plan will need to be met through design and procurement 	<ul style="list-style-type: none"> - WRC are aware that Council are looking at solutions to the capacity issue. These conversations have taken place as part of City Waters and WRC's formal monthly liaison meetings.

			<p>decisions and construction techniques employed.</p> <ul style="list-style-type: none"> - Existing consent monitoring and compliance reporting 	
Ministry of Health (E)	<ul style="list-style-type: none"> - Compliance with microbiological water quality guidelines for recreational water. 	Keep satisfied	<ul style="list-style-type: none"> - Current projects in and around wastewater includes a communication plan which will be in place for the duration of this project - This communication framework will be used to inform the Ministry on progress of the project and any changes to public health risks. 	<ul style="list-style-type: none"> - The Ministry of Health are aware that Council is looking at solutions to reduce the operational risk associated with the current wastewater treatment plant and that Council has allocated capital funding in 2015 – 2020 to do so.
Ministry for Business Innovation and Employment (F)	<ul style="list-style-type: none"> - Health and safety of our staff and contractors is achieved 	Keep satisfied	<ul style="list-style-type: none"> - Ensure that all health and safety requirements are met during design, procurement, construction and operations. 	<ul style="list-style-type: none"> - There has been no need to engage with the Ministry for Business Innovation and Employment.
Trade Waste Customers and Tankered Waste Contractors (G)	<ul style="list-style-type: none"> - Provision capacity to discharge trade wastes, septage and fats oils and greases. - Commercial business necessity 	Manage closely	<ul style="list-style-type: none"> - Trade Waste Bylaw and the Tankered Waste Standard Operating Procedure at the Treatment Plant. - Communications plan to outline engagement for planned shutdown works that may impact business. 	<ul style="list-style-type: none"> - Informal conversations have taken place regarding the options under consideration, and any potential future restrictions with Tankered Waste Contractors. - The risk associated with receiving / restricting high volume, high strength trade wastes will be managed on an as required basis with the key Trade Waste producers.
Project consultants (H)	<ul style="list-style-type: none"> - Contractual responsibilities to complete design and investigation - Prepare contract documents - Carryout specialist supervision and quality assurance 	Manage closely	<ul style="list-style-type: none"> - Develop contractual engagements that provide clear project scope, deliverables, programme and costs 	<ul style="list-style-type: none"> - Early engagement with consultants has taken place to ensure that they have the right skills in order to enable delivery.
Construction contractor (I)	<ul style="list-style-type: none"> - Contractual responsibilities to complete physical works to an acceptable standard. - Obligations for maintaining a safe and secure site 	Manage closely	<ul style="list-style-type: none"> - Develop contractual engagements that provide clear project scope, deliverables, programme and costs 	<ul style="list-style-type: none"> - Early engagement with contractors has taken place to ensure that they have the right skills in order to enable delivery. - Contractors have provided scoping documentation including option and costs to enable decisions to be made.

1.7 Scope of the Work – What’s included in the scope of this proposal and what is specifically excluded – ensure you define impact of change?

The overall goal that directs the scope for the Pukete 3 project is:

“To provide an affordable upgrade of the Pukete Wastewater Treatment Plant, facilitating city growth and enabling consent compliance to 2027 based on current consent conditions and growth forecasts, by June 2020.”

To achieve this, the project as a whole is being considered across four work streams which represent the core areas identified within the 2015 capacity review where upgrades are needed to meet the project objectives.

1. Total Nitrogen compliance (A key challenge in meeting its consent conditions right now)
2. E-coli compliance
3. Wet weather flow management (Secondary treatment bypass reduction)
4. Other minor works within the WWTP including systems and process integration

Within each work stream are numerous individual components that make up the process, and the actual scope of each individual component will be determined through the front end investigations of the Pukete 3 project. For this reason a stage approach is being taken which will include milestones where outcomes will be re-confirmed against objectives.

The project stages are:

Stage 1 - Investigations

- Build on the prioritised capacity review findings and suggestion for further investigations. Undertake further investigations to collect the data needed to get greater visibility over WWTP capacity.
- Use results of investigations to update and validate capacity review the Biowin models built within the 2015 capacity review
- Develop options to test using the Biowin models.
- Use outputs to confirm the actual extent of the proposed upgrades to deliver the holistic outcomes required to meet the Pukete 3 goal.

Stage 2 – Functional/Concept design

- Scope definition of the individual projects within each of the work streams
- High level project estimates necessary to establish affordability
- Scope adjustments as necessary to deliver Pukete 3 goals while remaining within available funding.
- Identification of project risks and likely mitigation requirements
- Hazop workshops and safety in design considerations
- High level understanding of WWTP shutdowns and operational impacts
- Presentation to Governance Group and update to Council to gain macro scope approval.

Stage 3 – Detailed design, Contract documentation, and Procurement

- Comprehensive packages of works for all work streams comprising end requirements, specifications, drawings, technical schedules, and tender documentation
- Construction cost estimates and uncertainty assessments. Innovative contractual models will be investigated during this process. A procurement strategy has been developed to help early identification of value adding opportunities and will be incorporated into this stage.
- Updated project risk register and discussions of mitigation measures proposed with key stakeholders (WRC and Waikato Tainui)
- WWTP shutdown schedule and integrated delivery programme
- The different work streams may follow the steps at this stage on different time frames, for example flow meter calibration works will proceed in early 2016, well ahead of other works.
- Project and contract approvals sought from Governance Group and relevant Council committees.

Stage 4 - Construction

- Expected to begin on enabling works such as flow meter calibration in early 2016 with other construction following completion of steps above.

<p>Refer to appendix 2.1 for a detailed list of individual projects within each of the work stream.</p> <p>Currently excluded from scope (may be considered in options assessments where dependencies are shown to exist)</p> <ul style="list-style-type: none"> • The list of projects that the 2015 capacity review identified that have been reprioritised and deferred • New permanent supplemental carbon dosing facility process modifications to existing Bioreactors; • Wet weather holding Lagoon Pump Upgrades; • Inlet flow meter chambers; • Polymer preparation and dosing system upgrades; • Grit removal system upgrades; • UV system upgrade; • Detailed design and construction of the longer term solutions beyond 2025. • Gaining a new discharge consent for Council in 2027 • This list will be refined as further investigations are carried out that will inform projects that will be deferred, projects that need to be done associated with the Pukete 2 scope, and those that are not related and are out of scope. 	
<p>1.8 Quantitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)</p>	<p>1.8b KPI/Target/Frequency of reporting Also Identify the Benefit owner and who will report the KPI/ Target and Frequency (i.e. as 3 separate items)</p>
<p>A recent Benefits Mapping exercise undertaken between key project stakeholders and MWH (expert technical advisors) determined the Quantitative business benefits from the proposed investment (refer attachment 1.2). The key benefits identified are described below:</p>	
<p>Council complies with its resource consent conditions for wastewater treatment and discharge to the Waikato River.</p>	<p><u>Key Performance Indicator</u> Formal actions taken by Waikato Regional Council against Hamilton City Council during the period of the 2015-25 10 Year Plan</p> <p><u>Target</u></p> <ul style="list-style-type: none"> - No more than 1 abatement notice - Zero infringement notices - Zero enforcement orders - Zero convictions <p><u>Reporting and Owner</u> Organisational benefits will be owned and reported by City Waters Unit</p> <p><u>Frequency</u> Annual reporting against targets.</p>
<p>Provide wastewater treatment capacity to facilitate anticipated city residential, commercial and industrial growth.</p>	<p><u>Key Performance Indicator</u> Pukete 3 upgrade works are completed in forecast time frame</p> <p><u>Target</u> Pukete 3 Upgrade works completed with all assets operational by June 2020</p> <p><u>Reporting and Owner</u> Organisational benefits will be reported by City Development Unit and benefits owned by whole organisation.</p> <p><u>Frequency</u> Project reporting through quarterly updates</p>

1.9 Qualitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)	1.9a Indicator of Success Identify the benefit owner and who specifically will report on the progress/realisation of the benefit
A recent Benefits Mapping exercise undertaken between key project stakeholders and MWH (expert technical advisors) determined the Qualitative business benefits from the proposed investment (refer attachment 1.2). The key benefits identified are described below:	
Provide improved wastewater treatment plant resilience to reduce the impact of wastewater discharge on the Waikato River quality and assist with ongoing plant resource consent compliance.	<p>Indicator of success Critical assets and processes have adequate capacity and redundancy (back up) to ensure continuity of service.</p> <p>Target</p> <ul style="list-style-type: none"> - Programme of works completed by June 2020 to ensure compliance through to 2027 - N+1 redundancy on critical assets and process capacity <p>Reporting and Owner Organisational benefits will be owned and reported by City Waters Unit</p> <p>Frequency Daily reporting and annual compliance summary.</p>
1.10 Dis-Benefits	1.10a Impact on the business (identify who will be impacted as a result)
Resource requirements	<p>Who will be impacted: Introducing a 4 year programme of works within an existing operational environment will increase the pressures on the day to day operations staff who will need to accommodate these works while meeting their existing obligations.</p> <p>These dis-benefits will be managed through thorough project planning and support from the project team and external consultants to minimise the demand on operations staff. Some additional demand will be unavoidable and this will be monitored.</p>
Existing plant operational resilience throughout project delivery phase	<p>Who will be impacted: During construction there will be shutdowns necessary. During these times redundancy and resilience will be reduced, thus reducing capacity to absorb extraordinary events such as high rainfall or chemical shocks.</p> <p>Project planning will consider the risks associated on a case by case basis and ensure the risk register is updated to reflect.</p>
1.11 Opportunities Arising (identify who will own and report the opportunity)	1.11a Strategies to Exploit, Enhance &/or Share Each Opportunity
<p>Procurement – Significant work packages are expected to be identified which will enable more advanced contractual models to be employed, leveraging innovation and economies of scale</p> <p>Works of a similar nature will be programmed at the Water Treatment Plant (WTP) in a similar time frame. Opportunities exist to include components of these works to be tendered together further leveraging economies of scale and optimising procurement costs.</p>	<ul style="list-style-type: none"> - Early procurement planning will be undertaken - Early engagement with professional services and industry leaders in treatment systems. - - Liaison between project teams - Early engagement and procurement planning.
<p>Integration – Other works currently planned in the renewals programme will be considered when developing detailed scopes to identify synergies to reduce project overlap</p> <p>Also existing known operational issues can be include for consideration where works are planned. This may enable other improvements to be carried out at little or no additional</p>	<ul style="list-style-type: none"> - Liaison between the project team and City Waters Asset team to understand forward works programmes and budgets. - Work to align shutdowns to as to minimise plant disruption

expense.	
<p>Resource management – The upgrade works provide an opportunity to consider whole of life costs which include the use and consumption of resources. Energy management and chemical use currently make up a significant portion of operational budgets. Through upgrade works, there is an opportunity to look at where and how these are used and to consider more optimal options</p>	<ul style="list-style-type: none"> - Include energy use and chemical consumption as metrics to be measured within the investigations. - Develop an understanding of new or emerging technologies that can optimise resources used. - Consider operational costs in decision making when refining preferred options.
<p>Construction staging – The 2015-25 10 Year Plan has the construction funding split across years 2-5. By carrying out detailed investigation, opportunities exist in being able to explore and adopt the most effective programme. This may be to accelerate the construction, or enable council to strategically construct in stages.</p> <p>Note: An optimised construction programme may impact the spend profile currently anticipated within the 2015-25 10 Year Plan.</p>	<ul style="list-style-type: none"> - Allow flexibility within the public tendering process for contractors to optimise construction methodologies and timing. - Where an opportunity is considered worth pursuing, it will be reported through the appropriate project governance channels, with any financial cash flow impacts reported to Council as appropriate. - In developing an optimised construction and procurement outcome, cash flows implications will be managed balancing spend across both WWTP and WTP upgrade projects with an aim to managing a balanced waters annual spend as a whole.
<p>Asset standardisation - Asset Standardisation and Technical specifications can be developed, captured and added to the HCC library. These documents can be used for future projects and initiatives, adding value and reducing costs / time for development.</p>	<ul style="list-style-type: none"> - Specifications and scopes for engagements include the appropriate requirements for collecting and presenting asset information.
<p>Best practice asset management – Building Information Management is a leading asset management tool for holding 3D information. A major upgrade is an ideal time to implement such a system as there will be significant volumes of new asset information created.</p>	<ul style="list-style-type: none"> - Liaise with City Waters Asset team to understand the integration and benefits of such an asset management system - Include in commissioning and quality assurance investigations - Provide recommendations at macro scope level
<p>Value engineering – opportunities for value engineering will continue to be explored. City Development are experienced in using innovative techniques to maximise smart thinking and collaboration between consultants and contractors.</p>	<ul style="list-style-type: none"> - Opportunities for value engineering will be encouraged. - Resulting benefits will be retained within the project through to completion in June 2020.
<p>Knowledge retention – data, knowledge and options assessment gained through detailed investigations, even if not fully progressed to confirmed scope, are retained for future use.</p>	<ul style="list-style-type: none"> - Findings are documented for use in planning future growth and treatment capacity upgrades by others. - Existing plant records and drawings are updated to include new asset details. - SOP and desk files developed as necessary - All relevant information entered into TRIM

1.12 Risks Identified	1.12a Gross Risk Rating	1.12b Risk Trigger Points	1.12c Risk Management Approach	1.12d Residual Risk Rating
As a result of investigation identifying a larger scope of urgent works than first thought, the project may not be deliverable within the funding included in the current 2015-25 10 Year Plan, which means that the project could be undeliverable.	High	<ul style="list-style-type: none"> - Investigation stage - Concept design stage - Detailed design stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Thorough options testing through the investigation stage - Continuous value engineering - Seek to defer non-critical projects <p>Response:</p> <ul style="list-style-type: none"> - Develop robust and calibrated process model so that early indications or predictions can be tested for impact on outcomes. - Follow appropriate project governance related change and communication processes to signal issues. - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands 	Medium
As a result of investigations being inconclusive on the best way forward, which means there could be programme delays.	Medium	<ul style="list-style-type: none"> - During investigation stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Correct scoping of investigations - Undertaking necessary calibration and measurement works to ensure accurate data is captured within the time frames required - Continuity of service from previous consultant. <p>Response:</p> <ul style="list-style-type: none"> - Carry out more tests and investigations. - Follow appropriate project and Governance related change and communication processes to reposition/reforecast timing expectations and budget provisions 	Medium
As a result of investigations, the project estimates may be higher than anticipated which could lead to the project being undeliverable	High	<ul style="list-style-type: none"> - Investigation stage - Concept design stage - Detailed design stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Develop robust cost estimates with peer reviews as appropriate - Identify regular hold points in project to confirm budget provisions align with project scope and deliverables. - A constructability and project estimate will be carried out at the concept stage to more thoroughly test the project estimate and construction methodology assumptions. - Review design to ensure cost effective solutions are developed that are not gold plated without considering budget impacts. <p>Response:</p> <ul style="list-style-type: none"> - Review project scope to identify opportunities to manage over-engineering. - Engage in value engineering discussions before progressing - Follow appropriate project and Governance process to report on costs and budget issues 	High
As a result of unforeseen eventualities such as procurement optimisation or delays, cash phasing as included in the current 2015-25 10 Year Plan may not align with actual cash	High	<ul style="list-style-type: none"> - Procurement - Construction 	<p>Prevention:</p> <ul style="list-style-type: none"> - A constructability and project estimate will be carried out at the concept stage to more thoroughly test the project estimate and construction methodology assumptions. - Consider cash flow implications 	

flow requirements which means phasing may need to reviewed and could result in spending budgeted money earlier, or conversely, it could result in capital deferrals being required.			<p>Response:</p> <ul style="list-style-type: none"> - Identify changes - Follow appropriate project and Governance process to report on costs and budget timing - Provide input into annual plan processes to support rephrasing of cash flow forecasts. 	
As a result of public tendering processes, prices received could be higher than expected meaning that the project may be undeliverable.	High	<ul style="list-style-type: none"> - Procurement - Construction 	<p>Prevention:</p> <ul style="list-style-type: none"> - Develop robust cost estimates with peer reviews as appropriate - Identify regular hold points in project to confirm budget provisions align with project scope and deliverables. - A constructability and project estimate will be carried out at the concept stage to more thoroughly test the project estimate and construction methodology assumptions. - Review design to ensure cost effective solutions are developed that are not gold plated without considering budget impacts. <p>Response:</p> <ul style="list-style-type: none"> - Review project scope to identify opportunities to manage over-engineering. - Engage in value engineering discussions with preferred contractor to seek way forward through scope adjustments or reduction 	High
As a result of reviewed growth predictions, the underlying assumptions being used to define the required project outcomes may be wrong which would lead to capacity or compliance issues earlier than anticipated.	High	<ul style="list-style-type: none"> - Throughout project life - 	<p>Prevention:</p> <ul style="list-style-type: none"> - Seek to include most relevant growth predictions and other external indicators in project assumptions <p>Response:</p> <ul style="list-style-type: none"> - Develop robust and calibrated process model so that early indications or predictions can be tested for impact on outcomes. - Follow appropriate project governance related change and communication processes to signal issues. - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands 	Medium
As a result of the scheduled review of the current discharge consent conditions in 2018, new more stringent conditions could be imposed which would alter the scope of the Pukete 3 works necessary to meet the objectives, which means the project may be undeliverable.	High	<ul style="list-style-type: none"> - After the scheduled 2018 consent review 	<p>Prevention:</p> <ul style="list-style-type: none"> - Liaison with working HCC representative on stakeholder working groups to be aware of emerging views. - Regular liaison with Waikato Regional Council. <p>Response:</p> <ul style="list-style-type: none"> - Appeal - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	High
As a result of a change in discharge consent conditions prior to 2027, the Pukete 3 works as currently understood may not meet these new consent objectives which means that higher levels of investment are required than included	High	<ul style="list-style-type: none"> - Throughout project life 	<p>Prevention:</p> <ul style="list-style-type: none"> - Liaison with working HCC representative on stakeholder working groups to be aware of emerging views. - Monitor Regional Plan changes, NPS for Freshwater and changes to the RMA. - Monitor and contribute actively to the Healthy Rivers Plan. 	Medium

in the 2015-25 10 Year Plan and/or delays are experienced.			<ul style="list-style-type: none"> - Regular liaison with Waikato Regional Council. Response: <ul style="list-style-type: none"> - Appeal - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands - Increase scope and budget for future upgrades 	
As a result of the Healthy Rivers legislation coming into force, new more stringent conditions could be imposed which would alter the scope of the Pukete 3 works necessary to meet the objectives, which means the project may be undeliverable.	High	<ul style="list-style-type: none"> - At the time Healthy Rivers project is notified or legislated. Likely 2016. 	Prevention: <ul style="list-style-type: none"> - Liaison with working HCC representative on stakeholder working groups to be aware of emerging views. - Regular liaison with Waikato Regional Council. Response: <ul style="list-style-type: none"> - Appeal - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	High
As a result of project works resulting in unintended adverse impacts on plant operations, the WWTP could fail to meet its minimum treatment requirements which means it will breach its discharge consent	High	<ul style="list-style-type: none"> - Construction 	Prevention: <ul style="list-style-type: none"> - Forward planning of shutdowns and work within critical aspects of the WWTP - Consideration of seasonal impacts on treatment processes - Integration with other planned works - Close monitoring of WWTP health leading up to shutdowns - Follow all site procedures Response: <ul style="list-style-type: none"> - Work with emergency response team - Project team to be available to inform discussions with stakeholders - Remedial works implemented without delay - May require capital deferrals based on operational performance/compliance at the time the capital work is scheduled. - Follow appropriate project and Governance process to report on costs and budget issues 	
As a result of extreme weather leading to higher than normal flows into the WWTP, the Plant could experience a primary or secondary bypass, which would mean it breaches its discharge consent resulting in project delays	High	<ul style="list-style-type: none"> - Throughout project life 	Prevention: <ul style="list-style-type: none"> - This is an externally generated event impacting on the current operation of the WWTP and very little can be done to prevent such an occurrence, and is already a current risk. Response: <ul style="list-style-type: none"> - Project team to work with plants staff as practical to assist with remediation. - Adjust works programme to allow WWTP staff to recover. - Follow appropriate project and Governance related change and communication processes to reposition/forecast timing expectations and budget provisions 	
As a result of operational issues at the WWTP, the preferred option or methodology may not be deliverable which could lead to project delays alternative more expensive approaches being required	High	<ul style="list-style-type: none"> - Concept design stage - Detailed design stage - Construction 	Prevention: <ul style="list-style-type: none"> - Close liaison with operations staff in all stages - Contract documents that are clear on these risks - Constructability reviews where appropriate Response: <ul style="list-style-type: none"> - Follow appropriate project and Governance related change and communication processes to update on budget implications as required. 	Medium

			<ul style="list-style-type: none"> - Engage in value engineering and include operations staff to find best practicable outcomes - May require capital deferrals based on operational performance/compliance at the time the capital work is scheduled. - Follow appropriate project and Governance process to report on costs and budget issues 	
As a result of efforts to comply with lower summer limits on outflow nutrient and contaminant loads, the WWTP could have no resilience necessary to carry out planned upgrade works which would result in project delays and additional costs.	High	- Construction	<p>Prevention:</p> <ul style="list-style-type: none"> - Close liaison with operations staff in all stages - Contract documents that are clear on these risks - Constructability reviews where appropriate with this in mind <p>Response:</p> <ul style="list-style-type: none"> - Follow appropriate project and Governance related change and communication processes to update on budget implications as required. - Engage in value engineering and include operations staff to find best practicable outcomes - May require capital deferrals based on operational performance/compliance at the time the capital work is scheduled. - Follow appropriate project and Governance process to report on costs and budget issues - Liaise with stakeholders to seek alternative measures under which to carry out the works compliantly - Decisions would need to consider immediate compliance issues, balanced with long term improvements gained from the upgrade works 	High
As a result of poor weather, planned works are unable to be carried out which could lead to overall delays of the project.	Low	- Throughout project life	<p>Prevention:</p> <ul style="list-style-type: none"> - This is a multiyear programme and so critical works will be programmed to take into account the anticipated weather. <p>Response:</p> <ul style="list-style-type: none"> - In isolated events where weather impact on the programme, these effects will be managed within the programme with any significant delays reported. - May require capital deferrals based on operational performance/compliance at the time the capital work is scheduled. - Follow appropriate project and Governance process to report on costs and budget issues 	Low
As a result of large number of projects in the market place, access to professional services may be restricted due to high workloads which may lead to project delays or premium rates being applied to source appropriate resources.	Medium	<ul style="list-style-type: none"> - Investigation stage - Concept design stage - Detailed design stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Early market engagement - Bundling of projects <p>Response:</p> <ul style="list-style-type: none"> - Seek specialist resource from overseas - Seek resources outside of the LASS panel 	Low
As a result of the specialist work required within the WWTP, and with other similar works being undertaken in the market place, there may be limited	Medium	- Construction tender	<p>Prevention:</p> <ul style="list-style-type: none"> - Early market engagement - Bundling of projects <p>Response:</p> <ul style="list-style-type: none"> - Re tender works or defer programme of works. 	Medium

construction resources available to undertake the works which could lead to higher prices being received through public tender.				
As a result of the large volume of works being undertaken at both the WWTP and WTP over what will be a five year period, limited capacity of the HCC operational staff could mean that integration with the day to day running is not as thorough as what is required to effectively plan and carry out works, meaning delays could be experienced, or operational issues arise.	High	<ul style="list-style-type: none"> - Throughout project life - 	<p>Prevention:</p> <ul style="list-style-type: none"> - Early engagement to allow plenty of time for operational staff to respond to input requirements - Provide all relevant decision making information so as to minimise efforts by operational staff - Draw on previous lessons learned where possible - Make financial allowance for additional project management resource to carry out close liaison with operational staff <p>Response:</p> <ul style="list-style-type: none"> - Project funds an additional operational resource for use within regular operational duties to create extra capacity to respond and integrate with the Pukete 3 project requirements. - Follow appropriate project and Governance process to report on costs and budget issues 	Medium
As a result of construction activities, site accidents may occur which could lead to personnel or public damage or harm.	Medium	<ul style="list-style-type: none"> - Site investigations - Construction commences 	<p>Prevention:</p> <ul style="list-style-type: none"> - Approved Contractors only. - Enhanced construction monitoring - Seasonal phasing of works to lowest risk period. - H&S procedure enforced - Permit to work process implemented <p>Response:</p> <ul style="list-style-type: none"> - H&S procedure enacted. 	Low
As a result of changes to Health and Safety legislation, the current design specifications may not be suitable which means new and more stringent measures may be imposed which would increase costs potentially making the project undeliverable.	Medium	<ul style="list-style-type: none"> - Throughout project life 	<p>Prevention:</p> <ul style="list-style-type: none"> - Monitor for legislation changes - Maintain best practice approach <p>Response:</p> <ul style="list-style-type: none"> - Adopt changes as necessary - Follow appropriate project and Governance process to report on costs and budget issues - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	Medium
As a result of construction activities, site processes are compromised leading to breach of consent compliance.	High	<ul style="list-style-type: none"> - Site investigations - Construction commences 	<p>Prevention:</p> <ul style="list-style-type: none"> - Approved Contractors only. - Enhanced construction monitoring. - Ensure incorporation of standard HCC H&S processes as a minimum standard. - Establishment of appropriate process for communication between consultants, contractors, and HCC staff <p>Response:</p> <ul style="list-style-type: none"> - Incident management procedures implemented. - Project team assist with emergency management plan deployment 	Medium
As a result of progressed Waikato sub-regional waters study outcomes, the objectives or requirements of Pukete 3 may change meaning that further works	Low	<ul style="list-style-type: none"> - Throughout project life 	<p>Prevention:</p> <ul style="list-style-type: none"> - Utilise existing Sub Regional Options Study outcomes. - Monitor developments and requirements. - Preferred option invests for the requirements that are known now and defers other works for future 	Low

<p>are required sooner than anticipated, or that current works become an overinvestment</p>			<p>when a more definite view of the study outcomes is understood and future capacity is actually required</p> <p>Response:</p> <ul style="list-style-type: none"> - Review priorities and cost benefits analysis of new requirements on current programme of work. 	
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1.13 Issues

Identify and describe

Integration with current plant operations and projects

The introduction of a large number of new and ongoing projects at both treatment plants during the life of Puketāpapa 3 will generate:

High workload levels for operational staff:

Operations staff will be required to operate the plant to meet existing levels of service, while maintaining an overview and understanding of the potential and actual impacts from the programme of new works. Addressed by additional staff and consultant resources being utilised. There are some roles which operate across both the WWTP and WTP and so these roles will experience additional pressures.

Action: Engage effective programme management and expert resources who will retain responsibility for the overall programme and take responsibility for providing the necessary information and requirements to the operations staff in a manner so as not to overload them.

Shutdowns

Multiple shut down requirement while still running plant to meet level of service

Action: Addressed by phased shut downs across projects to coincide with least demand and liaison with other works programmes.

Unavoidable operational impacts

The consequential disruption to treatment processes and compromise consent compliance which will result as part of the works

Action: Addressed by forward planning and process risk management protocols being applied. Works planned to maximise seasonal consent limits.

Investigative approach

The preferred option relies on significant upfront investigations to inform and confirm the most appropriate upgrade investments to meet the Puketāpapa 3 goal. Various scopes will not be able to be known at the outset which means this is somewhat of an iterative process.

Action: Allow time for investigations to be thoroughly undertaken, and include milestones where results are reported along with time and budget implications.

1.14 Constraints/Dependencies/Assumptions

Define and describe the factors under each of the headings

Constraints

- Shutdowns must be agreed and scheduled to maintain consent compliance
- Existing consent conditions dictate methodologies that may be used during works.
- Operations of the plant must take priority to ensure consent compliance
- Works must be delivered within the funding available within the current 2015-25 10 Year Plan
- The upgraded WWTP must operate within the existing discharge consent conditions through to 2027.

Dependencies

- Various pieces of work within the overall programme cannot be progressed until detailed investigations have determined the most appropriate option. This won't be known until stage 1 has been mostly completed and stage 2 is beginning.
- Procurement lead times for major materials
- Integrating with the existing 15/16 and 16/17 programme of works at both plants.

Assumptions

- Funding remains as shown in the 2015-25 10 Year Plan.
- That any changes to the current planning rules that the project is required to be delivered under do not impact on the ability to deliver the works
- There will be contracting resources available to carry out the physical works.
- Geotechnical conditions are not so inconsistent with site investigations and findings to date
- Appropriate resource consents from Waikato Regional Council and Hamilton City Council can be obtained within timeframes required.
- The current discharge consent conditions remains unchanged through to 2027. Specifically, the 2018 review of the consent does not introduce new or stricter discharge limits.
- Weather is suitable to enable temporary shutdowns without undue adverse effects on the treatment process.
- That the average daily dry weather flows to the plant will not exceed 45 ML Average Dry Weather Flow (ADWF) per day by 2020.
- That major weather events will not adversely impact on flow and loads to the plant.
- Progress of the Waikato sub-regional waters study does not change the scope of the Pukete 3 upgrade.
- Current growth predictions used in the 2015-26 10 Year Plan are not increased significantly.
- A programme of works that meet the Pukete 3 goal can be achieved within the funds available within the current 2015-25 10 Year Plan
- That no new major tradewaste discharge establishes operations prior to project completion
- Associated wastewater reticulation network projects including network wet weather bulk storage are completed in accordance with 10 Year Plan and wastewater master plan timeframes, and deliver anticipated benefits to wet weather flow management at the Wastewater Treatment Plant.

2.0 ECONOMIC CASE
 Critical success factors & the preferred way forward

2.1 Business Requirements (refer more detail in the specific notes section)
 Identify the requirements that must be met – Define them according to **core vs desirable vs optional**

The requirements for the Pukete 3 are:

Core (must have outcomes)

- Sufficient wastewater treatment capacity to meet planned increases in wastewater flows until 2027 (or 50ML/day based on the below assumed figures)

	Treatment Flow Parameters	Existing 2015	Pukete 3
1	Average Dry Weather Flow		50 ML/Day (575 L/sec)
2	Equivalent Population		175,000 people in Hamilton
3	Average Dry Weather Flow		283Litre/person/day
4	Average Daily Flow		56ML/day (648 L/sec)
5	Peak Wet Weather Flow		3230L/sec

- Treatment processes in place that will treat the wastewater at the flows as required to operate within the consent conditions limits of the current discharge consent through to 2027 when it is renewed.
- Consent compliance maintained on site during investigations, construction and commissioning.
- Delivered within current budget \$17.14M (based on 2015 estimates);
- Investigations undertaken prior to the summer of 2016/17;
- City Growth is not restricted due to capacity issues at the Wastewater Treatment Plant.

Desirable (consider on a cost/benefit basis)

- Investigations carried out as part of Pukete 3 inform future capacity upgrades on site in an integrated and progressive manner;
- Investigations and physical works installation must occur without impact on the plant's operation;
- Works requiring existing process outages well planned and coordinated with other works programmes to reduce operational risk;
- Cost saving synergies are realised across all programmes at the two treatment plants.
- Co-ordinated installation of required utilities and services across the investment programmes on site.
- Low impact environmentally friendly design of new structures
- Energy and chemical use further optimised as a result of the upgrade

2.2 Available Options – Long List (refer more detail in the specific notes section)
 Consider a wide range of realistic options for meeting the business requirements. Has a feasibility study been done?
 You must include a base case: chose either status quo or do nothing or do minimum for this purpose

Considerable investigation and analysis has been undertaken to develop a thorough understanding of the wastewater collection and treatment systems in Hamilton. This information has been compiled over a number of years and is drawn together into the Wastewater Master Plan (D-1850063), the Activity Management Plan (AMP) – Wastewater (D-1479904), and more recently the 2015 Capacity Review (WWTP), Version 1 of the plan was finalised in 26 June 2015 and is one of the key informing documents for the HCC Infrastructure Strategy, 10 Year Investment Plan, and the 30 Year Infrastructure Strategy.

The **scale and scope** section, and the **service solution** section are informed by these documents, while the **service delivery, implementation, and funding** sections have been further informed through other sources more specific to the context of this project

The Business Case describes six options for dealing with future growth and operational compliance:

Option 1
 Do nothing. Defer all upgrade works for the foreseeable future and seek operational efficiency increases from within all existing processes to create additional capacity. Leverage existing trade waste consenting process to impose strict and low operating parameters within which new and existing business and industry must work within so that nutrient and contaminant concentrates remain similar to existing.

Option 2
 Seek a change to Councils current wastewater discharge consent conditions to increase discharge limits. By lifting the daily discharge limits on the total nitrogen (a key constraint) by 45%, it would mean that the WWTP could reasonably be expected to remain within

these new limits until the current consent needs renewing in 2027. This would enable a portion of the funding allocated to Pukete 3 within the current 2015-25 10 Year Plan to be deferred.

Option 3

Do nothing. Focus upgrade investments into the reticulation for network improvements to reduce inflow and infiltration of clean stormwater getting into the sewer systems, and build off line storage at strategic locations within the existing interceptor network to better manage peak wet weather flows to the plant

Option 4 (preferred option)

Build on the findings of the 2015 capacity review to carry out a WWTP wide investigation to determine an optimised programme of works that will meet the current forecast growth demands, current known legislative obligations. This option would address the current known issues and capacity constraints within the existing processes. In developing an optimised programme of works to deliver the treatment flow requirements, some non-critical upgrades can be deferred.

Option 5

Bring forward future funding necessary to complete all upgrade projects now that have been identified by the 2015 capacity review. By carrying out all of these upgrades now some savings may be possible through economies of scale and through not having to construct some item in stages. This would unlock the maximum capacity that the WWTP in its current arrangement is capable of now which will allow for higher flows from growth and nutrient and contaminant treatment to the current discharge requirements well beyond 2027.

Option 6

Do nothing at the WWTP, and construct (or contribute to) a new subregional Wastewater Treatment Plant, or satellite plants in locations where growth and new industry are expected.

Dimension	Description	Options
Scale and scope	In relation to the proposal how big/small could this be? e.g. by levels of functionality, unit/group/organisation-wide	<p>Option 1 This is not a preferred option. Through the 2015 capacity review, and historic data of resource consent limit exceedances that the WWTP it has been demonstrated that it is already at capacity now and has low levels of resilience. Existing treatment capacity has recently been exceeded which indicates capital upgrades are required to begin now to increase treatment capacity through the WWTP. Biological treatment processes have an ongoing history of not meeting current resource consent requirements.</p> <p>Trials have been undertaken in addressing these issues through optimising existing processes within the current operational context without notable success. This option offers no treatment improvement and does not provide reliable capacity for growth.</p> <p>Option 2 This is not a preferred option. Council has explored this option to understand the likely increase to the current consent condition limits. It would require at least a 45% increase in the total nitrogen daily discharge to meet the historical consent exceedances, and does not even consider growth. The Healthy River project which is due to become legislation has objectives of restoring and protecting the water quality so that it becomes safe to swim and take food from and will eventually have to be achieved.</p> <p>A change to Council existing discharge consent conditions conflicts with these outcomes of the Healthy River project and so is not achievable.</p> <p>Option 3 This is not a preferred option. Through the wastewater master plan considers the whole wastewater system and has identified the opportunities that exist through more effective and efficient operation of the reticulation network. This may contribute to some efficiency but does not result in a net reduction in flows or nutrient loads and therefore any benefits gained as works are undertaken will be minor and outpaced by growth.</p> <p>This option has been identified as an opportunity to be further investigated and will</p>

		<p>be the focus of future business cases, but the benefits are in areas that do not satisfy the requirements of this business case. This option does not offer the required increase treatment capacity.</p> <p>Option 4 This option is preferred. The 2015 capacity review, Councils obligations under the current discharge consent, and the anticipated growth projections with the current 2015-25 10 Year Plan puts Council in a good position to understand what needs to be done to meet the known issues. This option includes thorough upfront investigations to confirm the precise scope of works required to manage forecasted growth and the known consent compliance requirements avoiding unnecessary overinvestment now.</p> <p>A lot remains unknown including what conditions will be attached to any reviewed or renewed discharge resource consent. This option achieves the goal of Pukete 3 through spending money on the right things at the right time, and provides flexibility to consider future consent changes.</p> <p>An investigative approach allows flexibility (although not funding) to respond to the outcomes of the Healthy Rivers project, and the 2018 discharge consent review.</p> <p>Option 5 Although offering some savings in doing all identified works now, there is a significant risk that when Council seeks to renew their discharge consent in 2027, that new or more stringent conditions will be included which will mean that further upgrade work will then be needed anyway. The Healthy River project has a vision to improve the health and water quality of the Waikato River and so there is a medium to high likelihood that consent conditions will not be continued as they are currently are, and improvements will be expected. Any changes to the level of treatment required significantly impacts on the processes within the WWTP and require significant investment to upgrade. An upgrade to provide capacity past 2027 is not recommended.</p> <p>Option 6 Hamilton has \$500M of already established operational assets within the city to collect and treat wastewater. This represents significant investment in this current system which is operating as well with generally normal planned upgrades and extensions. This upgrade is in response to growth and compliance with current consent conditions.</p> <p>A new WWTP will not be delivered within the time frames necessary to allow uninterrupted growth. Any subregional facility will likely be some distance from Pukete and will take significant investment to divert flow from existing networks towards any new facility</p> <p>Any new treatment facility will still be required to obtain and work within the legislative frame work for discharge consents, and comply with the same or stricter compliance conditions.</p> <p>This option offers no treatment improvement and does not provide reliable capacity for growth within the time frames required.</p>
<p>Service Solution</p>	<p>How can services be provided? e.g. potential solutions and answers, use of technologies.</p>	<ul style="list-style-type: none"> • There are no other current commercially viable options to provide the treatment improvement and reliable capacity for growth within the time frames required. • The project will allow for innovative solutions to be proposed by the designer and contractor. • The preferred programme will be developed following a rigorous investigation stage which includes building robust and validated treatment process modelling to test innovative options.

Service Delivery	Who can deliver the services? e.g. in-house, out sourced, alternative procurement strategies	<ul style="list-style-type: none"> City Development in house project management resources would provide the necessary project management resource – having recently delivered the Pukete 2 project in house experience will be drawn on for lessons learnt and in developing the risk register, as well as general input as necessary There is insufficient in-house design and planning resource to deliver this project and so these elements will be supported through utilisation of the PSP for expert professional services Due to the size and nature of the physical works, a number of packages of work will be put out for public tender to procure the appropriately experienced resources to deliver the works and ensure value for money. Alternative contractual methods will be investigated to facilitate innovative technologies and methodologies
Implementation	When can the services be delivered? e.g. timing and staging, big bang, phased, modular	<ul style="list-style-type: none"> Timing for this work was considered during development of the 30 Year Infrastructure Strategy, and the 2015-25 10 Year Plan The urgency of upgrades to meet growth and compliance obligations was recognised through development of the 2015-25 10 Year Plan which has seen it programmed in years 2 -5 of the current 2015-25 10 Year Plan Notwithstanding the risks, constraints, and issues identified elsewhere in this business plan, the project begins with thorough investigations, building on the already completed 2015 capacity review with an aim to begin confirm the programme of work in mid-2016 with major physical works beginning the following summer
Funding	How can it be funded? e.g. Capital, operating, PPP, grant	<ul style="list-style-type: none"> The 2015-2025 10 Year Plan has a budget allowance for delivery of capital works to a value of \$18.356M within years 1 -5 for the WWTP capacity upgrade. An allowance for ongoing consequential operating and maintenance expenditure is included in the 10 Year Plan budgets. Further detailed investigation and design work will continue to inform whether the funding available is sufficient to complete the project. Any cashflow implications arising from construction methodology or necessary to comply with the WWTP's strict consent obligations will be reported through the appropriate key project reporting structure. <p>The financial impact for each option on Council's financial position is:</p> <p>Option 1: Do Nothing – This option has limited direct financial impact, but places the treatment plant at high risk of consent failure, financial penalties in the way of fines and letters of direction or requirements to undertake urgent works over and beyond those already envisaged.</p> <p>Option 2: Provide core services – This option can be substantially completed within the 2015 - 2020 financial budget, with financial deferment required to complete the full suite of future upgrade works. Ongoing operational costs are accounted for within City Waters operational budgets in 2015-25.</p> <p>Option 3: Bring forward Investment – This option is currently unaffordable with current budgets and may incur abortive works if end game solutions are prescribed before the outcomes of the investigation studies are known. Once known, and providing economies can be realised, this option may be a viable alternative option to reconsider.</p> <p>Option 4: Review consent conditions with WRC – This option is most likely too late for this project and programme of works but can be considered for consent review in 2027. It should be noted that this option carries a high level of risk both in terms of costs to Council and final solutions required in the ultimate consent granted to HCC.</p> <p>Option 5: Defer investment pending the outcomes of the Network Storage solutions - The delivery of these network solutions will most likely be too late for this phase of works, but can be considered for capacity upgrades post 2025. This may also require an interim consent agreement with WRC.</p>

2.3 Preferred Option – engage with stakeholders to develop this and identify whole of life cost of the proposal (Identify the preferred option, describing strategic fit, how well it meets the business requirements and its advantages and disadvantages)

The preferred option is to proceed with **Option 4** which is to carry out upgrades to address the currently known critical issues, and to defer any other works. This option will aim to deliver a programme of works to create additional hydraulic and biological capacity to meet expected growth and current consent compliance obligations. The Pukete 3 project is planned to run through to June 2020.

Early investigations are already underway, with the bulk of the main investigations anticipated to be complete within the 2016 calendar year. This will be a milestone following concept design when a thorough programme will be understood and then presented for macro scope approval.

The preferred option has no significant dis-benefits when compared with the other options outside of constructability constraints and risks normally associated with a project of this nature. It meets all of the core business requirements with any mitigation steps allowed for within operational budgets.

Selection of the preferred option is consistent with the strategic objectives outlined in previous sections and current 2015-25 10 Year Plan funding allocations, and aligns with the direction of the Hamilton City Wastewater Master Plan.

2.4 Potential Value for Money

Describe how the preferred option maximises value for money

The preferred option maximises value for money as:

- The project scope seeks to maximise current capacity and consent compliance without overinvestment or investment in sacrificial or unnecessary infrastructure.
- Thorough upfront investigations inform the most appropriate upgrades now while developing robust biological and hydraulic models for testing future upgrade requirements.
- The known operational risks associated with the current plan can be mitigated, including:
 - Multiple outage periods across several programmes of work
 - Stage of the process with unknown / unconfirmed capacity of will be identified and addressed
 - Risks of non-compliance with consent conditions for Nitrogen, Coliforms and Wet Weather flows will be core business outcomes.
- Provides just the right upgrade now while allowing time for Council staff to determine the optimum sub-regional solution for future the longer term.
- Presents an opportunity to add value through optimising investment by aligning renewal or small capital improvement works with areas where capacity increases are also being investigated.
- Maximises the use of in-house resources and supplements known gaps through the engagement of consultants and contractors.
- Enables new technologies to be considered

2.5 Achievability

Outline how the preferred option will be successfully delivered

This project can be successfully delivered using Council's standard project management and procurement procedures. This is a major construction project and during construction has the potential to have an adverse impact on Council's normal operations.

Successful delivery of the project requires input across a number of internal business units and external support.

Internal

- City Development Unit – overall programme management and procurement of consultants and contractors in accordance with Council policies and procedures
- City Development is well placed to deliver these works with in-house project management resources having recently delivered the Pukete 2 project and so the in-house experience will be drawn on for general input as necessary
- City Waters Unit – must continue to operate the WWTP throughout the works within their legislative obligations. They will also provide input into technical aspects of the design along with asset management function.

External

- Consultants/ subject experts – will undertake design of the works including investigation detailed design, assist with consultation, consenting, and supervision during construction
- Construction – physical works delivery to be procured in line with Council's procurement policy. Council approval will be required due to the financial delegations required
- There are a number of contractors known to have significant experience. The contract documentation will include appropriate conditions to ensure robust measures against which to evaluate the submitted tenders. This will include track

record, experience on projects of similar size and complexity, and the skills of the specific staff of the company. Council's "buy local" policy will also be applied to this contract which will further emphasise the importance of local knowledge for successful delivery of the works

Timing

- This project is currently in the investigation phase
- Concept and detailed design will take place during 2016
- Construction planned to begin in the latter months of 2016.

2.6 Affordability

Outline how the preferred option will be funded

Funding

Capital costs to deliver the project are included within existing 2015-25 10 Year Plan budgets to a value of \$18,356,000.

Allowances for consequential operation and maintenance costs and asset depreciation have been included within the 2015-25 10 Year Plan. Costs have also been factored into the Developer Contribution model.

As detailed investigations are progressed, the project costs will be reviewed and any changes reported in accordance with the project management structure. Refer to 4.1 and 4.2 for more detail on rough order project costs.

The project is not subsidised and does not rely on external funding such as third party contributions to complete.

3.0 COMMERCIAL CASE	
Resource requirements	
3.1 Identify the resource requirements	3.1a Proposed procurement strategy – the how not the what
<p>Resources to deliver the project</p> <p>City Development has recently completed works of a similar nature using a combination of in house project management resources, and external design specialists and physical works contractors. It is proposed to follow the same proven approach of core in house team supplemented with specialised resources from the LASS subject experts, and physical works contractors procured through appropriate tender processes.</p> <p>An itemised resource break down is provided below:</p> <p>Internal Resourced out of the City Development Unit</p> <ul style="list-style-type: none"> • Programme Manager (and associated City Infrastructure Programme Governance Structure) • Project Manager • Contract Manager <p>Other internal</p> <ul style="list-style-type: none"> • City Waters Asset, Operations and Compliance teams • Communication/public relations support • City Infrastructure group financial accountant <p>External Professional Services Panel (PSP) Consultants</p> <ul style="list-style-type: none"> • Specialist investigation and design • Project and contract management resourcing assistance as required. • Specialist construction and quality assurance supervisor <p>Contractors</p> <ul style="list-style-type: none"> • Physical works delivery. Procured for each package of work using the most appropriate procurement method, likely via public tender. 	
<p>Construction Staging</p> <p>The 2015-25 10 Year Plan has the construction funding split across years 2 -5. Opportunities may exist to optimise construction programmes being offered by the contracting industry. This may be to accelerate certain aspects of the construction to enable optimised methodology in other works. The operating environment allows for the use of innovative solutions to be used to manage risk.</p>	
<p>Procurement Strategy</p> <p>A strategic level procurement options investigation and assessment has been undertaken regarding both the Water Treatment Plant Upgrade and Wastewater Treatment Plant Upgrade projects to inform a strategy to best procure and deliver the project works.</p> <p>The assessment looked at different procurement and delivery bundling options in terms of contract size, including combined options with other programmed works at the treatment plants (renewals and minor compliance upgrades), as well as different contract forms, including potential public-private partnerships, alliance type, design-build-operate and more traditional design and build.</p> <p>The options assessment has identified that the scale and scope of the project are likely not suited for a relationship type agreement (i.e. / Concession Contracting, Public Private Partnership, Alliance or Design-Build-Operate), and a more traditional contract model such as design-build or construction tendering following separate detailed design would likely deliver the overall best solution in terms of value for money as well as ongoing plant operation and compliance.</p> <p>As the project scope and outputs are further refined bundling and contract model options will be further investigated to inform a subsequent detailed project procurement strategy.</p> <p>Opportunities in procurement synergies with similar works across both the WWTP and WTP will be explored and will likely result in cash flow implications on the current 2015-25 10 Year Plan spend profile. In seeking economies of scale and procurement of the appropriate resources, cash flows implications will be managed balancing spend across both WWTP and WTP upgrade projects with an aim to managing a balanced waters annual spend as a whole.</p>	

4.0 FINANCIAL CASE				
Affordability and funding requirements				
4.1 Description	4.2 Amount	4.3 Timing	4.4 Funding	4.5 Budget Notes
Capital Expenditure				
Total \$18,356,000 comprising:				
Investigations and Options Assessment	\$1,182,000	2015-2016	CE15117	Funded Capital Expenditure in 10 Year Plan: 2015 /16 - \$950,000 2016 / 17 - \$232,000
Design	\$1,325,000	2016-2017	CE15117	Funded Capital Expenditure in 10 Year Plan: 2016 /17 - \$1,315,000 2017/18 - \$10,000
Construction	\$15,849,000	2016-2020	CE15117	Funded Capital Expenditure in 10 Year Plan: 2016 /17 - \$505,000 2017/18 - \$6,046,000 2018/19 - \$5,407,000 2019/20 - \$3,891,000
Total Capital Expenditure	\$18,356,000	2015-2020	CE15117	
Operations and Maintenance Expenditure				
An allowance has been included in the 2015-25 10 Year Plan for consequential project operation and maintenance costs as outlined below. These costs will continue for the life of any new assets. Assessment of actual consequential operation and maintenance expenditure is dependent on the confirmed project scope, and at this stage cannot be accurately assessed.				
Consequential Operation and Maintenance Costs	\$802,000	2020-2025	Within O&M budgets	2020 /21 - \$170,000 2021/22 - \$257,000 2020/23 - \$121,000 2023/24 - \$125,000 2024/25 - \$129,000
Asset Depreciation				
Depreciation of assets will be based on a nominal 15 year life for mechanical and electrical equipment and 50 years for civil structures, commencing from 2020/21 based on the gross capital cost. Assessment of actual depreciation cost is dependent on the confirmed project scope, and at this stage cannot be accurately assessed. An allowance has been included in the 2015-25 10 Year Plan as outlined below:				
Asset Depreciation (based on a nominal 40 year asset life)	\$2,294,500	2017-2025	Within O&M budgets	2016/17 - \$23,750 2017/18 - \$75,050 2018/19 - \$226,450 2019/20 - \$361,625 2020 /21 - \$458.900 2021/22 - \$458.900 2020/23 - \$458.900 2023/24 - \$458.900 2024/25 - \$458.900
4.6 Comments – describe any contracting mechanisms that may apply and identify costs associated with risk. Provide any additional details on the above as appropriate				
<p>The budgets presented above have been developed based on:</p> <ul style="list-style-type: none"> • Historical deployment costs from current and previous works on site • Contractor and consultant cost estimates received to date • Staff estimates for any unknown items, it is anticipated that these estimates will be confirmed upon receipt of investigation studies and engagement through either the PSP or tender process • The budget estimates include staff time costs, consultants and contractor fees • Staff costs are inclusive of all phases of the project including scoping, design, implementation and close out • Excluded from the budgets are any costs associated with re-work, contractor non-performance, weather (resulting in construction delays) etc. <p>Refer to section 1.12 regarding identified risks associated with budget allocations.</p>				

No additional insurance costs are anticipated as a result of this project, current Council policy is that capital infrastructure will be self-insured with specific risks covered under existing policies.

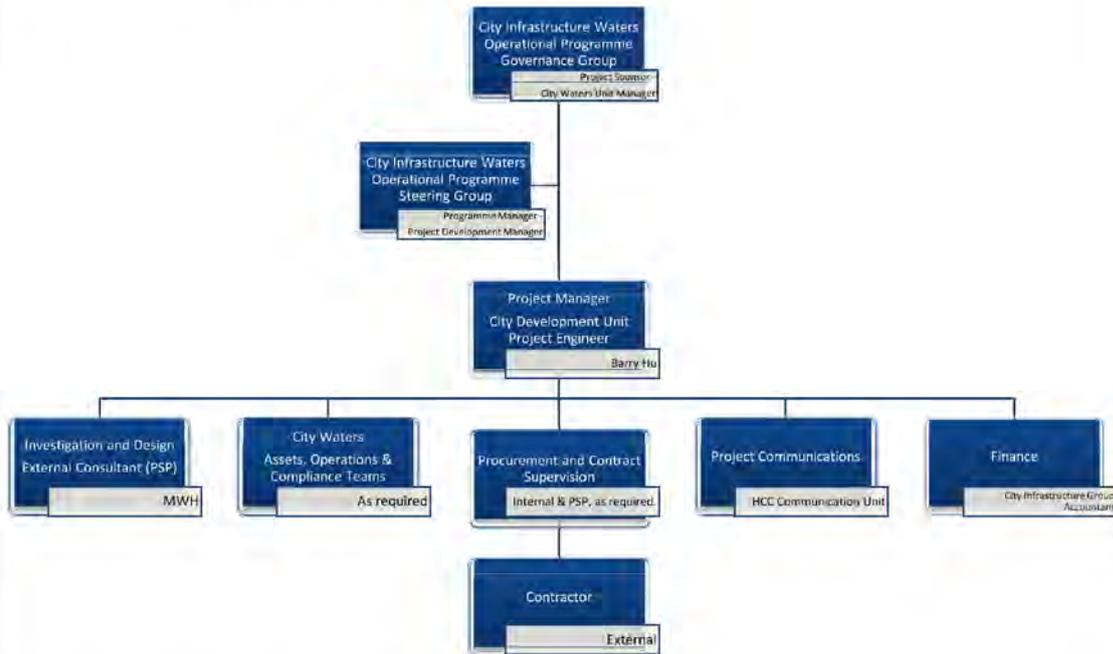
Funding for this project will be via a combination of development contributions and rates funding. Incorporation of associated debt funding has been included in organisational forecasting and calculations as included in the 10 year plan review and approval process.

5.0 MANAGEMENT CASE		
Ensuring successful delivery		
5.1 Stakeholder Engagement		
The following table identifies key stakeholders of this project and indicates their involvement in the development of this business case and if future engagement is planned.		
Stakeholder	Involvement in preparation of this Business Case	Further engagement planned if the business case is approved
External		
Individuals - Hamilton City Households	No	Yes
Businesses and Industry in Hamilton City	No	Yes
Waikato Tainui	No	Yes
Waikato Regional Council	No	Yes
Ministry of Health	No	Yes
Trade Waste and Tankered Waste Contractors	No	Yes
Internal		
Mayor and elected members	No	Yes
CEO and Senior Leadership Team	No	Yes
General Manager City Infrastructure	Yes	Yes
City Infrastructure Project Governance Group	Yes	Yes
Project Sponsor - City Waters Manager	Yes	Yes
City Development – Project Development Team	Yes	Yes
City Waters – Plant Operators	Yes	Yes
City Waters – Asset Management	Yes	Yes
Procurement Team	Yes	Yes
Communications Team	Yes	Yes
Finance Team	Yes	Yes

5.2 Proposed Implementation Plan

This project will be delivered in keeping with Council’s best practice project management principles and practice. A full project scope and project plan will be developed by the Project Manager.

5.2.1 Governance and Project Management Structure



5.2.2 Reporting Arrangements

This project will utilise the existing City Infrastructure Waters Programme Governance framework, which includes regular reports and updates to programme steering and governance groups.

A technical level project steering group will also be developed, which will be chaired by the project manager.

If required, the organisational Key Project reporting process could also be utilised if desired by Council.

5.2.3 Project Management Plan

A draft project plan was produced by MWH in August 2015 (refer attachment 5.1). The plan outlines the activities and resources required to deliver the project including a City Development resource as the assigned project manager.

5.2.4 Project deliverables:

At this early investigation and options assessment stage, project scope includes:

- Assessment of options / concept design, including nitrogen compliance, wet weather flow management and pathogen/e-coli compliance assessment;
- Geotechnical assessment;
- Cost estimates +/- 30%;
- Feasibility, including construction requirements and consents;
- Gathering and assessment of cultural requirements.

Further design and delivery scope will be confirmed following investigation and options assessment.

5.2.5 Budget allocation and resources

Capital expenditure budget of \$18,356,000 allocated in the 2015-25 10 Year Plan:

2015-25 10 Year Plan (\$000)	2015/16	2016/17	2017/18	2018/19	2019/20	Total
CE15117						
Wastewater Treatment Plant Capacity Upgrade	\$950	\$2,052	\$6,056	\$5,407	\$3,891	\$18,356

Consequential project operational costs have also been incorporated in 2015-25 10 Year Plan financial allocations. Further details are provided in Section 4.0 – Financial Case.

5.2.6 Delivery Resources:

City Infrastructures business model is to optimise the use of internal staff members and where required supplement knowledge and skills utilising external providers. This will ensure successful project delivery without compromising the delivery of other committed capital works programmes.

5.2.7 Contract Management Arrangements

Currently the role of programme and project manager is proposed to be supplemented with additional resources being procured through the LASS PSP. These resources will be used to develop and deliver the approach to the market, contract document development and procurement of relevant services in line with Councils procurement processes.

5.2.8 Engagement of external specialists:

The LASS PSP panel will be utilised to engage consultants and where required specialist contractor services such as UV Collimeter testing and flow measurement validation. All appointments will be made in line with Councils procurement processes.

5.2.9 Communication Strategy

Communication with internal stakeholders will be maintained through the PGG and regular updates to Council on progress. External stakeholders will be informed through existing channels that include scheduled meetings with regulators and iwi, as well as good news stories published in the local press.

5.2.10 Change Management Planning

An assessment of organisational readiness has been made which have led to a number of change management processes being implemented. This includes the formation of PGG structures and the recruitment of new and specialist staff within City Infrastructure to deal with the programmes of work and increased operational activities required at the plant. Routine operations on site are not expected to alter greatly from the outputs of this project. Any new asset installed will have the requisite training and development of staff incorporated into the commissioning and handover process.

5.2.11 Benefits Management

A project benefits mapping workshop involving key project stakeholders has been undertaken as part of the Business Case development with the key benefits and precursor requirements logged. Benefits realisation will be monitored and reported by the Project Manager and reported to the PGG and Council as part of project reporting.

5.2.12 Ongoing Risk Management

The current risks identified in the Business Case will be transferred to a formal risk register.

Risks will be identified and managed by the Project Manager in accordance with corporate policies and procedures will be added to the Risk Register. Updates on significant risks will be reported monthly to the PGG and immediately on any major change to the risk profile, or significant risks look likely to be realised.

Operational risk management to process and compliance will be managed closely on site by the Operations Team and Contractors.

5.2.13 Contingency Planning Arrangements

Contingency plans have been built into the project in terms of financial aspects through the inclusion of gateways in the project programme, revisions of plans and the updated business case as information is delivered from studies and investigations concluded in 2015 / 16.

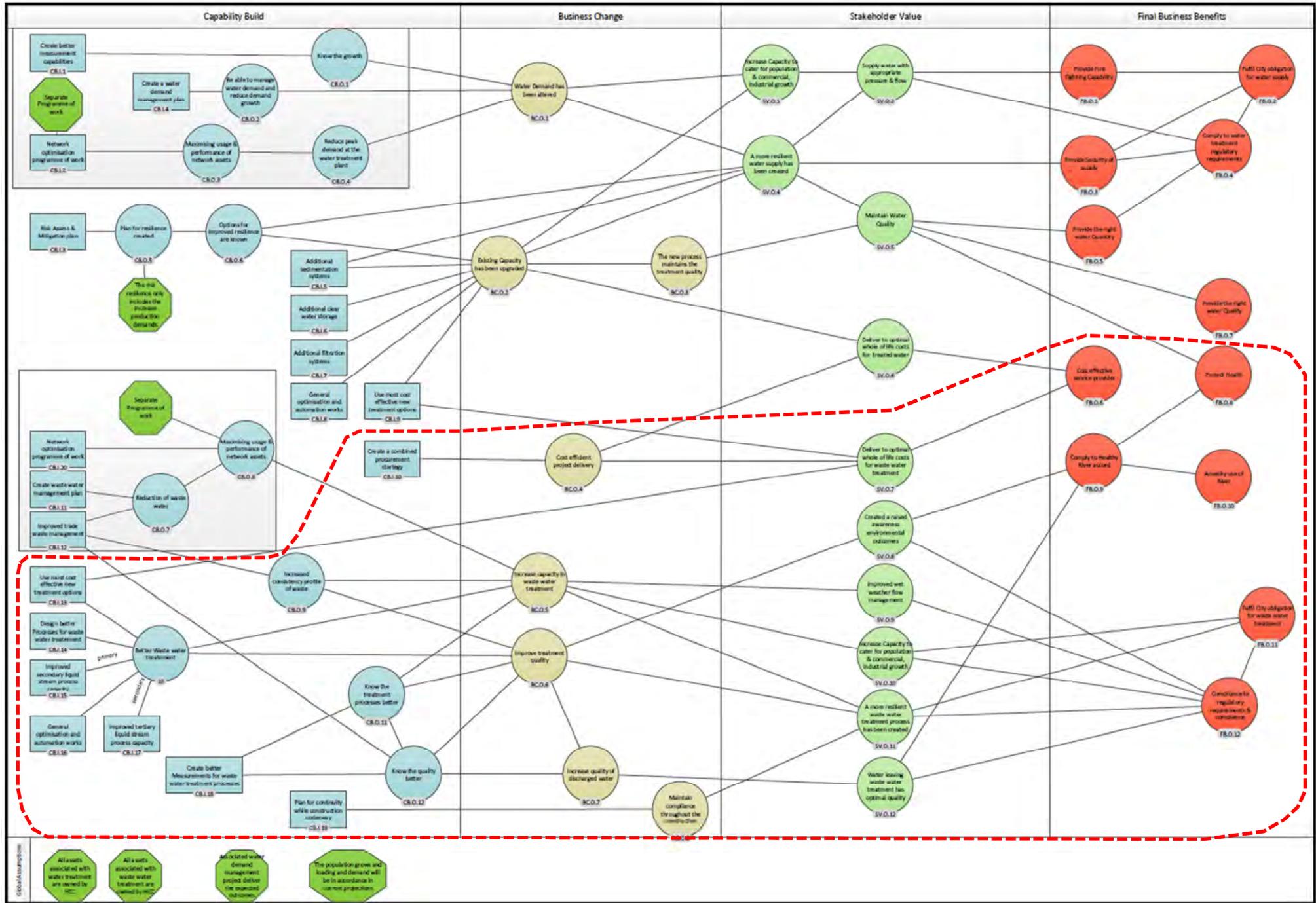
5.2.14 Post Project Evaluation

On completion, a project closure report will be drafted for the Senior Leadership Team (SLT) by the Project Manager. Following this, it is highly likely that a full Post Implementation Review (PIR) will be required and submitted to SLT/potentially Council by the General Manager for City Infrastructure.

Hamilton City Council Business Case Appendices

- 1.0 Strategic Case**
 - 1.1 2014 Wastewater Treatment Plant Capacity Review – D-1857412
 - 1.2 Project Benefits Map
- 2.0 Economic Case**
 - 2.1 Benefits and Options Matrix
- 3.0 Commercial Case - none**
- 4.0 Financial Case - none**
- 5.0 Management Case**
 - 5.1 Pukete 3 Wastewater Treatment Plant Upgrade Draft Project Plan - D-1972997

1.2 – Project Benefits Map



2.1 – Benefits and Options Matrix

Hamilton City Council Pukete Upgrades Benefits and Options Matrix

Key Aspect	Scale and Scope					Service Solution			Service Delivery: Investigations			Service Delivery: Works			Implementation			Funding		
	Option 1	Option 2	Option 3	Option 4	Option 5	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3	Option 1	Option 2	
Benefits																				
Comply with Regulatory Standards and consent conditions and protect health	N	Y	Y	?	?	Y	Y	Y	?	Y	Y	N	N	Y	Y	N	Y	Y	N	
Cost effective Service Provider	N	Y	N	Y	Y	Y	N	N	N	N	Y	N	N	Y	Y	Y	N	Y	Y	
Fulfil the City's obligation for wastewater Treatment	N	Y	Y	Y	?	Y	Y	Y	?	Y	Y	N	Y	Y	Y	N	Y	Y	Y	
Comply with Healthy Rivers Accord and ensure amenity use of the River is maintained	N	Y	Y	N	?	Y	Y	Y	?	Y	Y	N	Y	Y	Y	N	Y	Y	Y	

Committee: Council

Date: 10 December 2015

Report Name: Water Treatment Plant
Capacity Upgrade Business
Case

Author: Christopher Barton

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Hamilton Plan: Third City Economy in New Zealand Providing Outstanding Infrastructure Hamilton Urban Growth Strategy, Hamilton Economic Development Agenda, 2015-25 10 Year Plan, 2015-45 30 Year Infrastructure Strategy.</i>
Financial status	<i>There is budget allocated Amount \$28,746,000</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 not considered to have a high degree of significance</i>

1. Purpose of the Report

- To seek approval of the \$28.746M Business Case for a significant upgrade of the Hamilton Water Treatment Plant required in order to enable ongoing drinking water supply to our growing city.

3. Executive Summary

- A significant capacity upgrade of the Hamilton Water Treatment Plant is required in order to ensure we are able to continue to supply water to our growing city.
- The upgrade will consist of a combination of treatment process upgrades including sedimentation and filtration, as well providing additional network resilience through storage capacity.
- The total project budget is \$28.746M as allocated in the 2015-25 10 Year Plan.
- Investigation and options assessment is currently underway. Construction is programmed to commence in late 2016 with completion in 2021.

8. Recommendations from Management

That:

- The report be received
- The Water Treatment Plant Capacity Upgrade project Business Case is approved.

9. Attachments

10. Attachment 1 - Waiora 2 Water Treatment Plant Capacity Upgrade Business Case

11. Key Issues

12. Background

13. Hamilton City has one municipal Water Treatment Plant (WTP), located on Peacockes Road at the southern end of the city. The WTP draws water from the Waikato River and treats it to an appropriate standard to supply Hamilton City drinking water requirements.

14. It has been identified through a recent review that the existing WTP is nearing its current capacity, and in order to be able to meet the water supply needs of our growing city a significant plant capacity upgrade is required.

15. Business Case

16. Council has a management policy that supports the development of robust business cases for selected projects from the 10 Year Plan.

17. The business case approach used by Council is based on the Treasury 2010 Better Business Case (BBC) model which now has wide acceptance throughout New Zealand.

18. The BBC is a five case model incorporating:

- Strategic case – a compelling case for change, strategic fit and business needs
- Economic case – preferred option that optimizes value for money
- Commercial case – Commercially viable over the project term
- Financial case – affordable from available funding
- Management case – achievable and can be successfully delivered

19. Staff are seeking Council approval of this business case due to the significance of the project and the capital cost involved.

20. Strategic Case

21. The project will support planned citywide growth and is consistent with the Hamilton 2015-45 30 Year Infrastructure Strategy.

22. This project aligns with the Hamilton Plan including providing outstanding infrastructure and supporting economic development and growth in line with the goal of becoming the third economy in New Zealand.

23. This is part of a program of works including provision of new reservoirs, implementation of water demand zones and management, minor capital and renewal works at plants, to improve overall resilience within the plant and to maintain regulatory and consent compliance.

24. Economic Case

25. The business case supports a capacity upgrade of the WTP, acknowledging that further investigation and options assessment is required to further refine the project scope.

26. Commercial Case

27. The business case supports the view that the project is commercially viable over the project term and that it can be delivered using a mixture of core in house resources from the City Development Unit supplemented with specialised resources from the professional services panel and physical works contractors procured through a conventional contract.

28. Financial Case

- 29. Current estimates indicate sufficient funding is available in the 2015-25 10 Year Plan financial allocations to complete the project as scoped.
- 30. A summary of the financial details are set out in the Financial and Resourcing Implications section of this report. Section 4 of the business case further describes the financial details for this project.
- 31. Management Case
- 32. This project will be delivered using an appropriate management structure with oversight through a Programme Governance Group. Section 5 of the business case describes the management details for this project.

33. Financial and Resourcing Implications

- 34. The capital cost for the project is funded within the 2015/25 10 Year Plan under CE15144 to a total value of \$28,746,000 as outlined in the table below:

<u>2015-25 10 Year Plan (\$000)</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>Total</u>
CE15144 Water Treatment Plant Capacity Upgrade	\$500	\$2,052	\$8,426	\$6,488	\$5,558	\$5,722	\$28,746

- 35. Consequential project operational and maintenance costs have also been allowed for and are included in current 10 Year Plan allocations.

36. Risk

- 37. Section 1.12 of the business case includes a summary of the identified risks for this project together with a high level summary of the proposed risk treatments to mitigate those risks. A list of key assumptions is included in section 1.14 of the business case.
- 38. The project is currently at an investigation stage and as a result of further investigation and options assessment works there is a risk that the current allocated budget is insufficient to deliver a project scope which will meet project objectives.
- 39. This upgrading work will be required regardless of the future management structure for Waters, noting the current discussions on a potential waters Council Controlled Organization (CCO).

Signatory

Authoriser	Chris Allen, General Manager City Infrastructure Group
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Hamilton City Council Business Case

Waioira 2 Water Treatment Plant Capacity Upgrade

HAMILTON CITY COUNCIL BUSINESS CASE SUMMARY

Summary

Business Case Name Waiora 2 - Water Treatment Plant Upgrade

Business Case Type (choose from list) Full

Business Case Focus (choose from list): Address issue

Risk Rating (circle from list) High

Financial Commitment

Capital expenditure budget of \$18,356,000 allocated in the 2015-25 10 Year Plan:

2015-25 10 Year Plan (\$000)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
CE15144							
Water Treatment Plant Capacity Upgrade	\$500	\$2,052	\$8,426	\$6,488	\$5,558	\$5,722	\$28,746

Consequential project operational costs have also been incorporated in 2015-25 10 Year Plan financial allocations. Further details are provided in Section 4.0 – Financial Case.

Executive Summary

This business case seeks approval to invest \$28.746M to upgrade the existing Waiora Water Treatment Plant (WTP) from the current maximum capacity of 105 mega litres per day (ML/d) to 140 ML/d.

The Waiora WTP is the only water treatment plant providing treated water to the city of Hamilton. The existing plant is anticipated to reach its current supply capacity of 105 ML/d during peak demand periods between 2015 and 2020. With anticipated continued growth in the city, additional water supply capacity is required to ensure that Hamilton City Council is able to continue to provide a high quality treated water supply to existing and future city residents, businesses and visitors.

The preferred option supported in this business case is to upgrade key components within the WTP, which in conjunction with other projects including construction of new reservoirs and implementation of water demand zones and management will provide the necessary capacity and resilience to meet the forecast water supply needs of Hamilton City through to 2045, based on current city growth and water demand projections. Current demand forecasts indicate that by 2045 the WTP will require an estimated normal operating capacity of 126 ML/day, with a maximum peak throughput of 140 ML/day.

A recent (2015) Capacity Review Study has been undertaken to establish the current hydraulic and treatment capacities, and has identified the areas where upgrades are required to meet the 2045 demand.

The next step is to undertake detailed analysis and monitoring with a series of targeted investigations to confirm the project delivery scope prior to initiating design and construction capital spend, which is currently programmed from 2016 to 2021.

This project aligns with the objectives of the Hamilton Plan, including providing outstanding infrastructure and supporting economic and population growth in line with the goal of becoming the third city economy in New Zealand.

The project is currently funded in the 2015-25 10 Year Plan to a value of \$28.746M, however costs to complete the project and confirmation of construction phasing timeframes are still to be confirmed pending further investigation and options assessment.

Review / Approval Summary	
Prepared By Business Owner  Chris Barton – Project Development Manager	Date: 24 November 2015
Reviewed and Endorsed By PMO	Date: _____
Reviewed By SLT SLT Decision - Refer to Council	Date: 30 November 2015
Ordinary Council Meeting Resolution (adopted following Council consideration)	Date: 10 December 2015

HAMILTON CITY COUNCIL BUSINESS CASE DETAILS

1.0 Strategic Case

Ensuring an appropriate strategic fit and making a robust case for change

1.1 Position

Where are we now - what's the issue / opportunity we are trying to address? Where do we want to be? Define clear SMART objectives that can be directly linked to your proposed outcomes (benefits)

Council is responsible for the treatment, distribution and management of Hamilton's water supply. Raw water is drawn from the Waikato River into the water treatment plant, where it is treated to provide a high standard of drinking water.

The water service is not just about high quality water, water must also be provided at the correct pressure for its intended use and water must be available for fire fighting purposes.

The water supply network services 51,700 households and 5,500 commercial, industrial and rural premises. Water from the City also supplies approximately 1,600 properties in the Waikato area and 100 properties in the Waipa area.

To deliver the water activity, we:

Protect the health and safety of the community and the people who provide the service

Water is essential to the health and wellbeing of the community. To maintain this service we provide the following levels of service:

- Water is safe to drink
- Water connections are available
- A safe working environment is provided for people involved in providing the service
- Water supply is adequate for fire fighting purposes

Provide a reliable, resilient and responsive supply of water

A reliable, resilient and responsive service is one that provides for water 24 hours a day, 7 days a week. To deliver a reliable service we provide the following levels of service:

- Pleasant tasting and looking drinking water is provided
- Water flow and pressure is available for its intended use
- Maintain and renew our assets to ensure the service we provide is always reliable

To provide a resilient service we provide the following levels of service:

- Ensure our assets, technology and resources (in house or through consultants, service providers and contractors) have capacity, redundancy (n+1), knowledge and plans to either prevent or cope with unplanned events

To provide a responsive service we provide the following levels of service:

- Failures and service requests are responded to promptly

Deliver the service in a sustainable, environmental and economic way which meets customer's expectations

A service that is sustainable and economic is one that is cost effective and ensures maximum benefits are achieved from the community investments in the assets. To achieve this we provide the following levels of service:

- Ensure water resources are used efficiently and sustainably
- Protect the environment through compliance with resource consents
- Ensure iwi, hapu, Waikato Regional Council and key stakeholders are involved in strategic decision making
- Have in place plans to achieve intermediate / advanced asset management

Council has responsibility of providing a water service because:

- The Local Government Act 2002 describes the provision of a water service as a core service of Council. As such

Council must meet the current and future needs of the city in an efficient and effective way. The act requires Council to:

- Maintain public water services
- respond to growth demand for services reliant on water infrastructure assets
- Adopt a significance policy setting which includes a list of 'strategic assets' i.e. the water network
- Undertake assessments of water and sanitary services.
- Ensure water services assets are not used as security, or divest ownership to a non-local government organisation
- Provide fire hydrants in the public water supply networks
- Prepare Long Term Plans which shows levels of service, measures and targets together with Annual Plans which report on them.
- The Health (Drinking Water) Amendment Act 2007 amendment to the Health Act 1956 requires Council to:
 - Protect the health and safety of people and communities by promoting adequate supplies of safe and wholesome drinking water
 - Take all practicable steps to comply with the New Zealand Drinking Water Standards
 - Have in place an operative Water Safety Plan to guide the safe management of the supply of water
- Resource Management Act 1991 requires us to have resource consents for non-permitted activities including:
 - Extraction of water from the Waikato River for municipal use
 - Discharge of process water and stormwater from the water treatment plant into the Waikato River

Plan for the Future

Hamilton is a growing city and water supply is essential for residential and economic development. To ensure we have sufficient water service in the future, we provide the following levels of service:

- Plan ahead to ensure that there is sufficient water treatment, storage and distribution network assets in place for new growth

Strategic Objectives and Goals

The Hamilton Plan is Council's plan to build a stronger economy and a more attractive city for families. This Plan was adopted by Council in 2015. A strong connection to the Waikato River and providing outstanding infrastructure are both ranked within the top four overall priorities required to achieve this plan.

The Hamilton Plan includes a 10-Year Plan statement:

"We are in the water business to provide Hamiltonians with a safe, high quality, reliable and sustainable supply."

Vision and Strategy of the Waikato River

The Waikato River Authority was established in 2010 as the custodian of the Vision and Strategy for the Waikato River. Enabling legislation has given it an important role as the custodian of the Vision and Strategy for the Waikato River. This Vision and Strategy is the primary direction setting document for the Waikato River and activities within its catchment affecting the Waikato River.

Part of the vision is:

"Our vision is for a future where a healthy Waikato river sustains abundant life and prosperous communities who, in turn, are all responsible for restoring and protecting the health and wellbeing of the Waikato river, and all it embraces, for generations to come.

This Vision and Strategy is:

*Te Ture Whaimana o Te Awa o Waikato
Tooku awa koiora me oona pikonga he kura
The river of life, each curve more*

*tangihia o te maataamuri
beautiful than the last”.*

Sub-Regional Three Waters Strategy

The key strategic issues that we face in delivering our services to the community have been identified through the development of this Sub-regional Three Waters Strategy and coupled by issues specific to our city. These issues are presented in terms of our service statements. This strategy was adopted by Hamilton City, Waikato and Waipa District Councils in 2012, who have committed to the shared vision of:

“The delivery of integrated, sustainable and well managed Three Waters services for the sub-region which ensures the cultural, social and economic needs of the community are met and the quality of the Waikato River is improved.”

Growth

Future Proof outlines how the Hamilton and the sub region will develop moving forward. The population of Hamilton City is anticipated to grow from 150,180 in 2013 to around 233,000 by 2045.

Population projections, employment forecasts and information on future trends are used by Hamilton City Council (HCC) to generate water supply demand forecasts. Peak water consumption is expected to rise from 89 mega litres per day (ML/d) in 2014 to 126 ML/d when population reaches an anticipated 233,000 in 2045. This requires treatment plant capabilities of 140 ML/d to sustainably meet the daily flow demands which include higher morning and afternoon peaks flows.

Water Treatment Capacity

The water supply for Hamilton City is sourced from the Waikato River and treated at the existing Water Treatment Plant (WTP). The WTP was constructed in 1970 with a capacity of 64 ML/d. Since that time the WTP has had upgrades to the current maximum capacity of 105 ML/d. The WTP produces a high quality (A grade) treated water in accordance with New Zealand Drinking Water Standards 2005 (revised 2008).

As part of the 2006 WTP upgrade new process elements were designed to allow expansion to a future maximum capacity of 140 ML/d. Some civil infrastructure was also constructed to allow for eventual modular upgrades to 140 ML/d. A number of important process elements were not future proofed in any manner and will require more significant upgrading to deliver the necessary capacity, in particular the sedimentation tanks and sand filters.

Water extraction from the Waikato River adjacent to the treatment plant is carried out by HCC in accordance with its resource consent issued by Regional Council through to 2044.

Based on the anticipated population growth, peak day demands are likely to reach the current WTP net capacity of 105 ML/d in the period 2015 to 2020 (refer WTP Capacity and Performance Review – attachment 1.1).

The programme of works necessary to address each area requiring upgrades is expected to extend over a 5 year period. To meet the forecast demand, works must begin now in order to ensure there is sufficient water supply for existing customers and to allow for the planned residential and industrial growth.

Resilience

The WTP is the only water treatment facility that the city has for treating water for the residents and businesses of Hamilton, and is the only sub regional facility with the ability to be upgraded to meet the city’s short term demand.

If the WTP is not able to meet demand due to scheduled maintenance or asset failure, this risks the continuity of water supply. Resilience is required to ensure there is sufficient redundancy to allow for regular maintenance and to ensure continuity and quality of water supply in the event of some localised asset failure.

A capacity review of the existing WTP processes was undertaken in 2015 (refer attachment 1.1) which looked at all aspects of the hydraulic performance, treatment capacity, and electrical and mechanical capacity to develop a thorough understanding of where upgrades would be required.

Outside of the WTP, Hamilton City has eight network reservoirs, seven of which are currently in operational service,

and one new reservoir planned for construction over the next two years, providing a total of 89 million litres of operational capacity. This capacity is used to provide the operational flexibility within the reticulation network to manage peak demands, and very limited storage in the event of asset failure resulting in interruption to water treatment. Hamilton currently is not able to meet best practice for network storage standards generally in the order of the 1.5 average daily demand.

Peak Water Demand – Demand management and network optimisation

As the city's demand for water changes throughout the day, so does our treatment plant production. Water storage at the WTP and within the reticulation network via reservoirs is used to dampen these peak fluctuations. The current configurations of our reservoirs, bulk water mains and treatment plant still result in our treatment plant process requirements fluctuating up and down by 40% during peak demand. This leads to significant wear and tear on our assets, and puts the city at risk of no supply if any critical asset were to fail.

Through the Water Master Plan version 1 which was finalised in June 2013 a plan to improve this by reconfiguring our reservoirs and the bulk water mains that feed them was identified. A key objective out of this work is to effectively decouple the WTP from day to day network operations so to improve network resilience and simplify operations. Without having to provide for these high peaks, the actual continuous output required by the WTP in an optimised bulk reticulation network would be lower, which would provide a greater level of future capacity, along with greater resilience.

By creating appropriate sized "water demand zones" around each reservoir, along with new or upgraded reservoirs in strategic locations, we would be better able to manage the flow of water around the city during peak times, better optimising existing infrastructure. It would result in significantly less peak fluctuation of the output required at the WTP, pushing out the need for a new Water Treatment Plant by about 30 years.

To create these zones, works will be required at all seven of our current operational reservoirs, and new reservoirs built. Funding has been included in the current 2015-25 10 Year Plan to begin this works, with the remaining works included in the 30 Year Infrastructure Strategy. The table below outlines the capital investments anticipated over the next 30 years.

Project	Funded Expenditure \$ (millions)			Comment
	2015-25	2026-35	2036-45	
WTP Capacity Upgrade (Wairoa 2)	28.36			Treatment Capacity + Resilience
Rototuna Reservoir	14.4			Network Optimisation + Storage
WTP and Reservoir Asset Renewals and Minor Capital Improvements	21.9	21	21	Treatment Capacity + Storage
Reconfigure reservoirs to create water zones	14	15		Network Optimisation
WTP Upgrade		10		Other upgrade works
Water demand intervention		26		Network Optimisation
New WTP inlet structure		26		Capacity + Resilience
Fairfield/Ruakura Reservoir		14		
Rotokauri Reservoir		10	6	Network Optimisation + Storage
Second Water Treatment Plant			100	Future needs
Total per 10 year period	\$ 79	\$ 122	\$137	

The cost to deliver an optimised network is interrelated with future upgrades for growth. As works are staged over the 30 year period to deliver the preferred overall water supply outcome in the most affordable timing. Out of the water demand management works, only the Rototuna reservoir will deliver a value for money investment now and is programmed to be commissioned in 2017. All other works will not provide the added resilience and peak treatment capacity that is needed now.

The preferred option supported by this business case to upgrade the WTP now to provide the treatment capacity for 30

years, and coupled with the Rototuna reservoir project, will address the immediate issues and allow more expensive network reconfigurations to be staged over time. However it is important to note that this is only one part of a total investment of \$153.36m needed to ensure continued water supply to meet current and future demands to 2045.

Smart water use

Better and more efficient use of water is now being encouraged through the current Proposed District Plan (PDP). This includes stormwater reuse, grey water collection and use, and options such as low flow water fittings in new housing developments. Over time best practice will include water conservation and is anticipated to result in a reduction in the current water use per person per day. These will increase sustainability, however must be in addition to capacity upgrades as growth will far outweigh any water savings made.

Waiora 2 WTP Upgrade - Project Scope

The scope of the preferred option for WTP upgrade is to deliver a programme of works that will upgrade key aspects of the WTP so that it will:

- Operate to the expected levels of service
- Provide treatment capacity for the forecast growth through to 2045
- Treat enough water now to supply the peak water demands until network optimisation works are carried out

The 2015 capacity review was the first step in developing a financially unconstrained scope for future upgrade potentially identifying more upgrade projects than funding in the 2015-25 10 Year Plan allows for. This approach remains within the funding available in years 2-6 of the current 2015-25 10 Year Plan and where the scope of works exceed funding available, a decision will be sought on deferring some works not essential to meet this objective.

Because the capacity review was not intended to provide sufficient detail to define extents of actual work required these work streams are to become the focus of further investigation to confirm the extent of works required to deliver the necessary outcomes.

- Sedimentation and filtration
- Clear Water Storage:
 - Relift Pump Station
 - UV Channel

Each of the work streams will follow the project steps outlined below.

- **Investigation** - Building on the findings from the capacity review to confirm upgrade requirements.
- **Concept and Functional Design** - Once investigations are complete, concept and functional design will provide enhanced scope definition, cost estimates, project risks, and impacts on existing WTP operation.
- **Detailed design, Contract Documentation and Procurement** – This will provide comprehensive procurement packages for all identified works including construction estimates, risk registers with mitigation requirements at a detailed project level, a shutdown schedule to integrate with WTP day to day operations.
- **Construction** – Expected to begin on enabling works in 2016

Do Nothing

Although the WTP is currently meeting the required city demand, during peak extended summer periods the maximum output has been almost reached. During these times there is little or no ability to respond to asset failure or other external events. This limits continued city growth. We have a period of time before the demand is exceeded and feel that the preferred option can be delivered within this time frame. For these reasons doing nothing is not any option as it will not provide for the growing demands of the WTP, nor will it leave adequate time to make any upgrade

improvements.

Summary

The overall goal for the WTP project is:

“To provide an affordable upgrade of the Waiora Water Treatment Plant, facilitating city growth and enabling regulatory compliance to 2045 based on current water demand forecasts and consent conditions, by June 2021.”

The approach of the business case supports a staged approach to the WTP upgrade adopting a target of identifying and upgrading the components within the treatment process based on a prioritised programme of works.

By investing early in comprehensive investigations it will set us up for optimised investment now while providing a robust foundation to plan for any future staged works that may not fit within the current available funding.

We have identified that risks exist around what future sub-regional objectives may arise through outcomes of the current Waikato Sub-Regional Waters Study, however considering the significant investment already made in current operational assets in the city and at the WTP, that this will not be sacrificial investment.

1.2 Outcomes
 What are the expected outcomes that will be delivered as a result of this work - Develop these with Stakeholders along with SMART objectives and defined long term value for money this BC work will deliver

Outcomes

The project will:

- Investigate and identify the treatment process improvements needed to meet the demands of the city through to 2045
- Develop and deliver a prioritised programme of works to address the most critical treatment process upgrades identified within the available funding in the current 2015-25 10 Year Plan
- Inform future 10 Year Plan processes of the scope of future upgrades
- Aim to provide future proofing within each upgraded component to provide capacity to meet 2045 treatment demand (140ML/day).
- Incorporate an appropriate level resilience by design

Outcome	SMART Objectives	Alignment with the Hamilton Plan (relevant Priority)
Hamilton City is provided with sufficient water supply capacity to cater for demand.	To increase water supply capacity and/or demand management activities by 1 July 2021 so that the water supply system is able to cater for a minimum of 10 years future population growth. ¹	Providing Outstanding Infrastructure The Third City Economy in New Zealand
Hamilton City is provided with a resilient water supply to ensure continuity and quality of water supply in the event of asset failure and/or maintenance.	The total number of complaints received by the Council about continuity of water supply, per 1000 connections is less than 5 per year.	Providing Outstanding Infrastructure
Hamilton City is provided with water services that comply with legislative requirements.	To achieve 100% compliance with legislative requirements (ongoing).	Providing Outstanding Infrastructure
Agreed levels of service for the community are met	To achieve performance measure targets, set out in the Hamilton 10-Year Plan under the Statement "We're in the water business to provide Hamiltonians with a safe, high quality, reliable and sustainable supply".	Providing Outstanding Infrastructure

¹ Provides for a minimum of 10 years future population growth to allow for the time taken to plan, design and procure the next solution, as well as allowing for a margin of error in population projections.

1.3 Strategic Alignment

Describe how the proposed work aligns to either individual or multiple HCC strategies

Providing core water services in a sustainable manner now and as the city grows is well aligned with a number of Council's strategies and plans.

Strategic document		How this project delivers
Hamilton Plan	<p>We want to:</p> <ul style="list-style-type: none"> - Provide outstanding infrastructure - Build a strong connection with the Waikato River 	<p>The project is well aligned with the Hamilton Plan, it will:</p> <ul style="list-style-type: none"> - Deliver outstanding strategic water infrastructure solutions to support economic development and growth in Hamilton - Work closely with Regional Council on low river works,
Future Proof	<p>Future Proof outlines how the Hamilton, Waikato and Waipa region will develop moving forward.</p>	<p>This project delivers on future proof vision by contributing to;</p> <ul style="list-style-type: none"> - Affordable and sustainable infrastructure - A healthy Waikato River as the heart of the regions identity
Economic Development Agenda	<p>Sets the scene for Council to work with the city's business community and others to energise economic growth and strengthen Hamilton's contribution to the New Zealand economy.</p>	<p>This delivers on the development agenda by:</p> <ul style="list-style-type: none"> - Providing cost effective and productive infrastructure to enable the city to function and prosper.
Sustainable Hamilton	<p>Changing the way we live for a better future</p> <p>Three priorities:</p> <ul style="list-style-type: none"> - Healthy natural environment - City living and business - Leadership and collaboration 	<p>This project will contribute to the Sustainable Hamilton priority of 'City Living and Business' by providing infrastructure that enables planned residential development while managing its impact on the natural environment</p>
Hamilton 30 Year Infrastructure Strategy	<p>Identifies the significant investments needed within the city.</p>	<p>This project is necessary to facilitate the growth as assumed in the 30 year infrastructure strategy</p> <p>This project takes a 30 year view to deliver improved resilience and increased capacity which are identified as a key investments.</p>

1.4 Organisational Context

Outline how this work will assist HCC achieve its business goals

The project will contribute to delivery of Council’s business goals of providing outstanding infrastructure to embrace growth while maintaining levels of service for residents and businesses within Hamilton.

The project is being delivered by the City Development Unit who plan and manage the transport and 3 waters inputs into future city growth, planning, development and city improvements. The unit focuses on strategic direction including planning, managing and delivering innovative infrastructure solutions for water, wastewater, stormwater, solid waste and transportation.

Through the 10 Year Plan process, City Infrastructure has responded to the challenges of balancing the complex operational and regulatory environments with a constrained fiscal environment to propose the preferred option. This aims to conduct extensive investigations enabling investment to then be made in the right places at just the right time.

Business Goal	Project Relevance
Hamilton City Council’s Purpose	<ul style="list-style-type: none"> • Shaping a world class city through smart thinking and exceptional service. • Providing an appropriate and sustainable supply of potable drinking water for the city is a core purpose of Council • Provide additional capacity to manage compliance and growth
Embrace Growth	<ul style="list-style-type: none"> • Deliver infrastructure Solutions <ul style="list-style-type: none"> ○ Upgrade of the WTP will facilitate planned city growth, and give effect to the District Plan, Future Proof and the infrastructure investment priorities established by the 10 Year Plan. • Leverage the best opportunities <ul style="list-style-type: none"> ○ The aim of this upgrade delivers the right outcomes at the right time to minimise sacrificial investments while maximising growth opportunities. ○ Synergies between works at the Water Treatment Plant and the Wastewater Treatment Plant will be explored
Best in Business	<ul style="list-style-type: none"> • Right People, Right Outcomes <ul style="list-style-type: none"> ○ Stakeholder analysis and communication planning in keeping with project management best practice will enable the success of this project and ensure the right outcomes for the city are delivered • Do The Basics Well <ul style="list-style-type: none"> ○ This project delivers core infrastructure to enable the growth as anticipated through the 2015-25 10 Year Plan ○ Ensuring Council’s project management principles are utilised throughout the implementation will ensure effective delivery of appropriate outcomes ○ Innovation is embraced. • Financial Sustainability <ul style="list-style-type: none"> ○ Works will be delivered within existing 10 Year Plan budgets and in-line with programmed financial timeframes, and will maximise savings through contract model opportunities ○ Minimising investment in temporary or sacrificial infrastructure • Wow The Customer <ul style="list-style-type: none"> ○ High quality infrastructure supports doing business in Hamilton

1.5 Organisational Impact

How / where does this piece of work integrate with / impact on the rest of the organisation's activities?

The project impacts on the organisation across a number of units and functions.

City Development

City Development Unit will manage the project through all phases. This will be undertaken using existing internal and external resources, the Professional Services Panel, and physical works contracts as necessary. The project phases include:

- Investigation (partially completed through development of the 2015 capacity review)
- Concept and functional design
- Detailed design, Contract documentation, and Procurement
- Construction
- Project commissioning and close out

City Waters

City Waters is responsible for levels of service for water across the city. Planning and implementation of this project must be integrated with day to day operations, compliance, and minor projects and renewals planned by the City Waters Unit. This will include close liaison at each project phase.

The WTP project will specifically impact on the City Waters Unit as follows:

- Physical impacts on other construction works - Due to the defined nature of the WTP site where the upgrade will occur, it is not anticipated that the works will have a physical impact on any other HCC construction works.
- The staff resources required for other Council projects / activities could be impacted due to the staff commitment of this project.
- Puketapu Wastewater Treatment Plant upgrade project – It may be desirable that some aspects of the construction works of the Wastewater Treatment Plant upgrade will be integrated with WTP upgrade construction works. Any changes / delays in one of the projects could have an impact on the other.
- Renewal and Minor Works programmes of WTP – These will be compared with this upgrade programme to optimise funds and other resources.
- Network operation – To manage the impact on the service delivery during the construction phase, an interim plan will be required. After the completion of the project, the current service delivery plan will need to be updated to accommodate the WTP changes.
- WTP Operation – Update the WTP Operations Manual to reflect changes during the construction phase and at the completion of the upgrade project.
- Risk and Emergency Management - Update HCC's risk and emergency plans for construction phase of the WTP upgrade and after the completion.
- Asset Management – The upgraded treatment plant can impact on annual depreciation, insurance, energy use and other overhead costs.

City Environment – Planning Guidance Unit

Planning and implementation of this project must be integrated with the Planning Guidance Unit (PGU). PGU staff will need to process outline plans, land use consents and certify compliance with any conditions as part of administering the regulatory functions of Council (as the territorial authority) under the Resource Management Act. Therefore PGU requires an understanding of the timing and scope of the future transport network and infrastructure necessary to facilitate development.

Finance

The finance group, through a project financial accountant, will be required to review financial elements on an ongoing basis. This will include financial reporting, calculation of debt funding, and capitalisation of assets.

Procurement

The nature of major treatment plant works often results in complex contract models used to share risk and to enable innovation. This can be for professional services and physical works phases. Close liaison with the Procurement Management team will be necessary for advice and support.

Communication

This project involves working closely with existing stakeholders and communicating to the wider community from time to time. City Waters currently hold and manage the relationships with the significant stakeholders and will continue to do so with support from the project team.

The Communications team will be required to manage the development and implementation of a communication plan for the wider community including any media releases and enquiries.

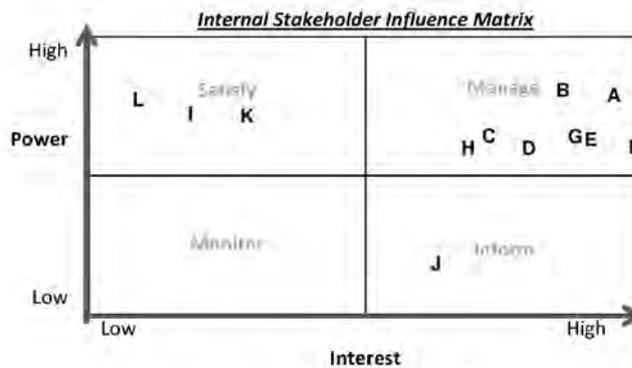
1.6 Stakeholders

Need to be identified and their level of influence and interest in the BC needs to have been defined.

The City Waters has an established a stakeholder database for the day to day operations of the Water Treatment Plant. As City Waters currently hold and manage these relationships with key stakeholders they will continue to do so through the WTP upgrade project with support from the project team.

This database has been used as a starting point and built on to develop the list of stakeholders for this project. There is some cross over, however stakeholders have been assessed based on the requirements of this project. The following summarises the stakeholders and is separated by **Internal** and **External**.

The assessment of their impact has been described using Council’s Project Stakeholder Management – Tools and Techniques.

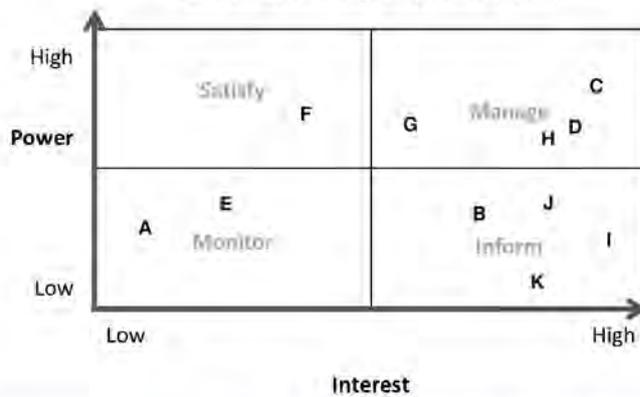


Internal Stakeholder	Interest in the Project	Assessment of Impact	Potential strategies for gaining support or reducing resistance	Engagement with this project to date
Elected members (Mayor and Councillors) (A)	<ul style="list-style-type: none"> - Hamilton Plan Delivery - Compliance with strategic alignment - Compliance with 10 Year Plan budgets and timeframes - Council's Reputation - Not holding up people wanting to develop. 	Manage closely	Provide sufficient information and opportunities for Elected Members to understand project status and potential risks by: <ul style="list-style-type: none"> - Reporting the business case and any private developer agreement for approval to the Finance Committee - Regular project reporting via Key Projects Report as the project progresses - Use of exec updates 	<ul style="list-style-type: none"> - Financial Committee reports - Exec updates
CEO and Senior Leadership Team (SLT) (B)	<ul style="list-style-type: none"> - Hamilton Plan Delivery - Compliance with strategic alignment - Delivery of Organisational Goals - Compliance with 10 Year Plan budgets and timeframes - Council's Reputation 	Manage closely	Provide sufficient information and opportunities for SLT to understand project status and potential risks by: <ul style="list-style-type: none"> - Reporting the business case for review and approval by SLT ahead of submission to Finance Committee - Regular project updates on progress and risks through General Manager City Infrastructure 	<ul style="list-style-type: none"> - Corporate risk register – under contingency plans. - Agenda item in SLT,
General Manager City	<ul style="list-style-type: none"> - Delivery of Organisational Goals 	Manage closely	Engage with PGG on strategic and project governance issues through:	<ul style="list-style-type: none"> - The project has been an agenda

Infrastructure and City Infrastructure Group Project Governance Group (PGG) (C)	<ul style="list-style-type: none"> - Compliance with 10 Year Plan budgets and timeframes - Service Delivery - Council's Reputation - Stakeholder management 		<ul style="list-style-type: none"> - Providing regular PGG updates on high level financial and project risks - Coordinating of activities and projects between City Development and City Waters 	item in the PGG throughout the 2015/16 year.
City Development (D)	<p>Staff will be responsible for the delivery of projects contained within the programme of works that are to be delivered including:</p> <ul style="list-style-type: none"> - Investigations and studies / reports - Water Treatment Plant Upgrades - Project management, delivery of project and developer liaison - KPI reporting for this business case 	Manage closely	<ul style="list-style-type: none"> - Appoint a dedicated project manager who will define project roles and responsibilities - Engage to coordinate other City Waters works managed by City Development. 	<ul style="list-style-type: none"> - City Development project managers have been involved in this project since it began.
City Waters – Unit Manager (E)	<ul style="list-style-type: none"> - Project Sponsor (UM) 	Manage closely	<ul style="list-style-type: none"> - Engage directly at each project phase - Engage through PGG 	<ul style="list-style-type: none"> - Involved with PGG meetings to date
City Waters – Plant Operators (F)	<ul style="list-style-type: none"> - Operate WTP on a day to day basis - KPI reporting for this business case 	Manage closely	<ul style="list-style-type: none"> - Throughout all phases of the project, ensure the operations team are appropriately involved in decision making processes. - Ensure the project team liaise closely with the operations team to understand their ongoing operational context and upcoming works. Eg attend process meetings or other appropriate forums to ensure integration with plant operations. 	<ul style="list-style-type: none"> - City Waters project managers and plant operators have been involved in this project since it began. - Has been involved in project scope and outcomes to date.
City Waters – Compliance Team (G)	<p>This team is responsible for</p> <ul style="list-style-type: none"> - managing consent compliance and relationships with the Regional Council. 	Manage closely	<ul style="list-style-type: none"> - Throughout all phases of the project, ensure the compliance team are integrate and informed. - Provide input as necessary to the Water Safety Plan 	<ul style="list-style-type: none"> - City Waters compliance team are aware of this project since its conception and have assisted in the planning of the works as and when required.
City Waters – Asset Team (H)	<ul style="list-style-type: none"> - Owner of water infrastructure - Provision of water infrastructure in line with growth requirements - capitalising new assets - planning preventative maintenance 	Manage closely	<ul style="list-style-type: none"> - Throughout all phases of the project, ensure are either part of the decision making process for those projects that they are managing or are being kept informed regarding the projects that are being delivered to ensure integration with plant activities 	<ul style="list-style-type: none"> - Are aware of this project since its conception and have assisted in the planning of the works as and when required.
Procurement Management team (I)	Procurement and contract administration compliance	Keep satisfied	<ul style="list-style-type: none"> - Provide opportunities for PMT to be involved early in the development of the procurement plan in accordance with Council policy - Seek early advice and confirmation of proposed procurement strategy (methods and timing) from PMT 	<ul style="list-style-type: none"> - Are aware of this project and have assisted in the procurement planning.
Communications Team (J)	<ul style="list-style-type: none"> - Liaise with media - Develop and support implementation of all project communication 	Keep informed	<ul style="list-style-type: none"> - Work with Communications Team to establish a single source for external engagement and develop a Communication Plan 	<ul style="list-style-type: none"> - Are aware of this project and have assisted in previous

	- Assist with emergency plan implementation		- Part of the City Waters team to deliver the existing contingency plan.	contingency planning
Finance Team (K)	The finance team provide financial monitoring of the project through AX.	Keep satisfied	<ul style="list-style-type: none"> As and when required, Finance Team will be involved to provide financial information regarding this project. 	<ul style="list-style-type: none"> Are aware of this project since its conception and have assisted in the financial planning of the works as and when required.
City Environment – Planning Guidance (L)	<ul style="list-style-type: none"> Processing team for any consents required Regulatory compliance 	Keep satisfied	Provide opportunities for early engagement with relevant PGU staff and use the existing pre-application process to confirm regulatory requirements prior to lodging any consent applications, outline plans and the certification of plans required by designation conditions	<ul style="list-style-type: none"> None to date.
Health and Safety (M)	<ul style="list-style-type: none"> Delivery of Organisational H&S Goals Council’s Reputation 	Monitor	Involve Health and Safety staff in relevant parts of the project phases and ensure any site safety plans are reviewed by Health and Safety team Early engagement with Health and Safety staff where high risk activities are identified	<ul style="list-style-type: none"> General involvement in WWTP activities. Is considered at all stages of works

External Stakeholder Influence Matrix



External Stakeholder	Interest In the Project	Assessment of Impact	Potential strategies for gaining support or reducing resistance	Engagement with this project to date
Hamilton City Residents/rate payers (A)	<ul style="list-style-type: none"> Continuity of water 	Keep informed	<ul style="list-style-type: none"> Updates as appropriate Consultation through subsequent 10 Year Plan 	<ul style="list-style-type: none"> Consultation was undertaken through the 2015-2025 LTP for Capacity Upgrades to the Water Treatment Plant Annual water use restrictions
Businesses and Industry within Hamilton City (B)	<ul style="list-style-type: none"> Continuity of water supply 	Keep informed	<ul style="list-style-type: none"> Updates as appropriate Consultation through subsequent 10 Year Plan Trade waste consent process. 	<ul style="list-style-type: none"> Information has been provided to Council’s high water users, as to why Council needs to issue water restrictions. Consultation was undertaken through the 2015-2025 LTP for Capacity Upgrades to the Water Treatment Plant
Waikato Tainui (C)	<ul style="list-style-type: none"> Protection of the Waikato River 	Keep informed	<ul style="list-style-type: none"> City Waters and Waikato Tainui have a formal monthly liaison meeting 	<ul style="list-style-type: none"> None other than public consultations through 10 Year Plan process

			<p>were key strategic projects are discussed.</p> <ul style="list-style-type: none"> - The existing Water Take Permit (Resource Consent) allows for up to 146 ML/day by 3 March 2044. The consent for discharge back to the river expires in 2026, the concept design for the WTP allows for a washwater clarifier to improve the quality of the washwater discharge. 	
Waikato Regional Council (WRC) (D)	<ul style="list-style-type: none"> - Administration of the Resource Management Act - Harbour master 	Manage closely	<ul style="list-style-type: none"> - Communication will be required due to the proposed characteristics of the WTP and possible impacts on flows. Update to the Water Conservation Demand Management Plan may be required. - Existing consent monitoring and compliance reporting 	<ul style="list-style-type: none"> - Ongoing liaison
Ministry of Health (E)	<ul style="list-style-type: none"> - Compliance with New Zealand Drinking Water Standards. - Updating PHRMPs 	Manage closely	<ul style="list-style-type: none"> - Communication will be required due to the proposed characteristics of the WTP and possible water quality impacts during the construction period. 	<ul style="list-style-type: none"> - The Ministry of Health are aware that Council is looking at solutions to reduce the operational risk associated with the current water treatment plant and that Council has allocated capital funding in 2015 – 2020 to do so.
Ministry for Business Innovation and Employment (F)	<ul style="list-style-type: none"> - Health and safety of our staff and contractors is achieved 	Keep satisfied	<ul style="list-style-type: none"> - Ensure that all health and safety requirements are met during design, procurement, construction and operations. 	<ul style="list-style-type: none"> - There has been no need to engage with the Ministry for Business Innovation and Employment.
Risk Forum (G)	<ul style="list-style-type: none"> - Provide high-level, strategic direction and apply robust decision making (based on set criteria) to ensure appropriate risks are escalated to the Organisational Risk Register. 	Keep Satisfied	<ul style="list-style-type: none"> - A preliminary discussion on risks is presented in the Hamilton WTP Capacity and Performance Review (attachment 1.1). It is recommended that a formal Quantitative Risk Analysis is carried out to industry best practice as part of the detailed design process. 	
Project consultants (H)	<ul style="list-style-type: none"> - Contractual responsibilities to complete design and investigation - Prepare contract documents - Carryout specialist supervision and quality assurance 	Manage closely	<ul style="list-style-type: none"> - Develop contractual engagements that provide clear project scope, deliverables, programme and costs 	<ul style="list-style-type: none"> - Early engagement with consultants has taken place to ensure that they have the right skills in order to enable delivery.
Construction contractor (I)	<ul style="list-style-type: none"> - Contractual responsibilities to complete physical 	Manage closely	<ul style="list-style-type: none"> - Develop contractual engagements that provide clear project 	<ul style="list-style-type: none"> - Early engagement with contractors has taken place to ensure that they have the right

	works to an acceptable standard. - Obligations for maintaining a safe and secure site		scope, deliverables, programme and costs	skills in order to enable delivery. - Contractors have provided scoping documentation including option and costs to enable decisions to be made.
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1.7 Scope of the Work – What’s included in the scope of this proposal, and what is specifically excluded – ensure you define impact of change?

The overall goal that directs the scope for the WTP upgrade project is:

“To provide an affordable upgrade of the Waioira Water Treatment Plant, facilitating city growth and enabling regulatory compliance to 2045 based on current water demand forecasts and consent conditions, by June 2021.”

To achieve this, the project as a whole is being considered across the core areas identified within the 2015 capacity review where upgrades are needed to meet the project objectives.

- High rate sedimentation and filtration with a total capacity of around 45 MLD.
- Sand filters capacity increase.
- Sludge balancing tank and Sedimentation Tank sludge cones.
- Consideration of clearwater storage requirements
- Systems and process integration

Within each core areas are numerous individual components that make up the process, and the actual scope of each individual component will be determined through the front end investigations of the WTP upgrade project. For this reason a stage approach is being taken which will include milestones where outcomes will be re-confirmed against objectives, and macro scope approvals sought.

The project stages are:

Stage 1 - Investigations

- Build on the prioritised capacity review findings and suggestion for further investigations. Undertake further investigations to collect the data needed to get greater visibility over WTP capacity.
- Use results of investigations to update and validate capacity review the models built within the 2015 capacity review
- Develop options to test using the models.
- Use outputs to confirm the actual extent of the proposed upgrades to deliver the holistic outcomes required to meet the WTP upgrade goal.

Stage 2 – Functional/Concept design

- Scope definition of the individual projects within each of the work streams
- High level project estimates necessary to establish affordability
- Scope adjustments as necessary to deliver WTP upgrade goals while remaining within available funding.
- Identification of project risks and likely mitigation requirements
- Hazop workshops and safety in design considerations
- High level understanding of WTP shutdowns and operational impacts
- Presentation to Governance Group and update to Council to gain macro scope approval.

Stage 3 – Detailed design, Contract documentation, and Procurement

- Comprehensive packages of works for all work streams comprising end requirements, specifications, drawings, technical schedules, and tender documentation
- Construction cost estimates and uncertainty assessments. Innovative contractual models will be investigated during this process. A procurement strategy has been developed to help early identification of value adding opportunities and will be incorporated into this stage.

- Updated project risk register and discussions of mitigation measures proposed with key stakeholders
- WTP shutdown schedule and integrated delivery programme
- The different work streams may follow the steps at this stage on different time frames.
- Project and contract approvals sought from Governance Group and relevant Council committees.

Stage 4 - Construction

- Expected to begin on enabling works in late 2016.

Included in scope:

- Options investigation
- Functional/Concept Design
- Workshops (inc Hazop)
- Preliminary and Detailed design
- Procurement (Eol, tendering, assessment, award of contract)
- Consenting
- Project management and contract management
- Communication Management
- Construction
- Testing/Commissioning
- Training
- Standard Operating Procedures reviewed, developed and implemented
- As-builts and capitalisation of new assets
- Project completion documentation
- Updated emergency plan

Excluded from scope:

- Routine maintenance costs associated with the WTP
- Updated water quality sampling regime, Water Conservation Demand Management Plan (requirement of Water Take Permit) and Water Plan
- Demand management tasks
- Any improvements to quality of treatment
- Any changes to water take consent

1.8 Quantitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)	1.8a KPI/Target/Frequency of reporting Also Identify the Benefit owner and who will report the KPI/ Target and Frequency (i.e. as 3 separate items)
<p>Supply water with appropriate pressure and flow</p> <ul style="list-style-type: none"> • Reliability/responsiveness • Customer satisfaction • Level of Service 	<p><u>Key Performance Indicator</u></p> <p>The number of unplanned interruptions to service</p> <p><u>Target:</u></p> <ul style="list-style-type: none"> • Less than 410 unplanned interruptions per year • Service interruptions resolved within 8 hours <p><u>Reporting and Owner:</u></p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters and the community of Hamilton</p> <p><u>Frequency</u></p> <p>Annual</p>
	<p><u>Key Performance Indicator</u></p> <p>The total number of complaints received by the Council (per 1000) about water pressure/flow or disruption to supply</p> <p><u>Target:</u></p> <p><u>Water pressure and flow</u>- No more than 5 per 1000 connections to the Council's water reticulation system</p> <p><u>Continuity of supply</u> - No more than 5 per 1000 connections to the Council's water reticulation system</p> <p><u>Reporting and Owner:</u></p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters and the community of Hamilton</p> <p><u>Frequency</u></p> <p>Annual</p>
	<p><u>Key Performance Indicator</u></p> <p>Pressure and flow at property boundary</p> <p><u>Target:</u></p> <p>Minimum pressure and flow at point of supply to residential lots shall be 100kPa (10m) and 25 L/min</p> <p><u>Reporting and Owner:</u></p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters Operations Team and the community of Hamilton</p> <p><u>Frequency</u></p> <p>Ongoing</p>

<p>Maintain water quality</p> <ul style="list-style-type: none"> • Health and Safety • Safety of drinking water • Customer satisfaction 	<p><u>Key Performance Indicator</u></p> <p>Maintain current Ministry of Health water grading</p> <p><u>Target:</u></p> <p>Water quality is A grade (all the times including peak times, maintenance periods)</p> <p><u>Reporting and Owner:</u></p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters Operations Team and the community of Hamilton</p> <p><u>Frequency</u></p> <p>Daily</p>
	<p><u>Key Performance Indicator</u></p> <p>Water is safe to drink</p> <p><u>Target:</u></p> <p><u>Bacteriological Compliance</u> – Achieve compliance with DWSNZ</p> <p><u>Protozoa Compliance</u> - Achieve compliance with DWSNZ</p> <p><u>Reporting and Owner:</u></p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters and the community of Hamilton</p> <p><u>Frequency</u></p> <p>Annual</p>
	<p><u>Key Performance Indicator</u></p> <p>The total number of complaints received by the Council (per 1000) about water clarity, taste, and odour.</p> <p><u>Target:</u></p> <p>No more than 5 per 1000 connections to the Council's water reticulation system</p> <p><u>Reporting and Owner:</u></p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters and the community of Hamilton</p> <p><u>Frequency</u></p> <p>Annual</p>

1.9 Qualitative Benefits Develop this list with Stakeholders (as a minimum with those most affected by the proposal)	1.9a Indicator of Success Identify the benefit owner and who specifically will report on the progress/realisation of the benefit
<p>Improved resilience to support continuity of supply</p> <ul style="list-style-type: none"> • Sustainability • Demand management 	<p>Key Performance Indicator</p> <p>The number of days the city's demands exceeds the amount council is allowed to take from the Waikato River</p> <p>Target:</p> <p>Zero days where we exceed our consented limit.</p> <p>Reporting and Owner:</p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters and the community of Hamilton</p> <p>Frequency</p> <p>Daily</p> <hr/> <p>Key Performance Indicator</p> <p>The average consumption of drinking water (in litres) per day per resident</p> <p>Target:</p> <p>No more than 400 litres per person per day</p> <p>Reporting and Owner:</p> <p>Organisational benefits will be reported by City Waters Unit and owned by City Waters and the community of Hamilton</p> <p>Frequency</p> <p>Annual</p>
1.10 Dis-benefits	1.10a Impact on the business (identify who will be impacted as a result)
<p>Resource requirements</p>	<p>Who will be impacted:</p> <p>Introducing a 4 year programme of works within an existing operational environment will increase the pressures on the day to day operations staff who will need to accommodate these works while meeting their existing obligations.</p> <p>These dis-benefits will be managed through thorough project planning and support from the project team and external consultants to minimise the demand on operations staff. Some additional demand will be unavoidable and this will be monitored.</p>
<p>Operational resilience and process impact during construction</p>	<p>Who will be impacted:</p> <p>During construction there will be shutdowns necessary. During these times redundancy and resilience will be reduced.</p> <p>Project planning will consider the risks associated on a case by case basis and ensure the risk register is updated to reflect.</p>

1.11 Opportunities Arising (identify who will own and report the opportunity)	1.11a Strategies to Exploit, Enhance &/or Share Each Opportunity
Assets (or asset components) that need to be replaced due to age or poor performance can be included in this project, resulting in an overall reduction in cost due to avoided procurement and potentially lower contractor costs. Opportunity Owner: City Waters Asset Manager	Compare and integrate the work program included in this project with the renewal and minor works programs.
Integration Other works currently planned in the renewals programme will be considered when developing detailed scopes to identify synergies to reduce project overlap Also existing known operational issues can be include for consideration where works are planned. This may enable other improvements to be carried out at little or no additional expense.	<ul style="list-style-type: none"> - Liaison between the project team and City Waters Asset team to understand forward works programmes and budgets. - Work to align shutdowns to as to minimise plant disruption
Resource management The upgrade works provide an opportunity to consider whole of life costs which include the use and consumption of resources. Energy management and chemical use currently make up a significant portion of operational budgets. Through upgrade works, there is an opportunity to look at where and how these are used and to consider more optimal options	<ul style="list-style-type: none"> - Include energy use and chemical consumption as metrics to be measured within the investigations. - Develop an understanding of new or emerging technologies that can optimise resources used. - Consider operational costs in decision making when refining preferred options.
Construction staging The 2015-25 10 Year Plan has the construction funding split across years 2-6. By carrying out detailed investigation, opportunities exist in being able to explore and adopt the most effective programme. This may be to accelerate the construction, or enable council to strategically construct in stages. Note: An optimised construction programme may impact the spend profile currently anticipated within the 2015-25 10 Year Plan.	<ul style="list-style-type: none"> - Allow flexibility within the public tendering process for contractors to optimise construction methodologies and timing. - Where an opportunity is considered worth pursuing, it will be reported through the appropriate project governance channels, with any financial cash flow impacts reported to Council as appropriate. - In developing an optimised construction and procurement outcome, cash flows implications will be managed balancing spend across both WWTP and WTP upgrade projects with an aim to managing a balanced waters annual spend as a whole.
Asset standardisation Asset Standardisation and Technical specifications can be developed, captured and added to the HCC library. These documents can be used for future projects and initiatives, adding value and reducing costs / time for development.	<ul style="list-style-type: none"> - Specifications and scopes for engagements include the appropriate requirements for collecting and presenting asset information.
Best practice asset management Building Information Management is a leading asset management tool for holding 3D information. A major upgrade is an ideal time to implement such a system as there will be significant volumes of new asset information created.	<ul style="list-style-type: none"> - Liaise with City Waters Asset team to understand the integration and benefits of such an asset management system - Include in commissioning and quality assurance investigations - Provide recommendations at macro scope level
Value engineering Opportunities for value engineering will continue to be explored. City Development are experienced in using innovative techniques to maximise smart thinking and	<ul style="list-style-type: none"> - Opportunities for value engineering will be encouraged. - Resulting benefits will be retained within the project through to completion in June 2020.

collaboration between consultants and contractors.	
<p>Procurement Significant work packages are expected to be identified which will enable more advanced contractual models to be employed, leveraging innovation and economies of scale</p> <p>Works of a similar nature will be programmed at the Wastewater Treatment Plant (WWTP) in a similar time frame. Opportunities exist to include components of these works to be tendered together further leveraging economies of scale and optimising procurement costs.</p>	<ul style="list-style-type: none"> - Early procurement planning will be undertaken - Early engagement with professional services and industry leaders in treatment systems. - Liaison between project teams <p>Early engagement and procurement planning.</p>
<p>Waikato Sub-Regional Waters Study (WSRWS). The Hamilton WTP is centrally located within the Waikato region and so may feature in options assessments. Upgrading now will provide some additional capacity initially while demand builds. An opportunity exists within a sub-regional context to utilise this additional capacity in the short term to provide water to the Waipa and Waikato regions.</p>	<p>Realising this opportunity will be through any progress in the subsequent WSRWS.</p>
<p>Retained knowledge As part of this upgrade, significant and detailed investigations will be completed. Opportunities exist to ensure this is captured for future planning and asset management optimisation</p>	<p>Seek best practice asset management processes</p> <p>Ensure contract documents require asset information</p> <p>Utilise Trim for all relevant documentation.</p>

1.12 Risks Identified	1.12a Gross Risk Rating	1.12b Risk Trigger Points	1.12c Risk Management Approach	1.12d Residual Risk
<p>As a result of investigation identifying a larger scope of urgent works than first thought, the project may not be deliverable within the funding included in the current 2015-25 10 Year Plan, which means that the project could be undeliverable.</p>	<p>High</p>	<ul style="list-style-type: none"> - Investigation stage - Concept design stage - Detailed design stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Thorough options testing through the investigation stage - Continuous value engineering - Seek to defer non-critical projects <p>Response:</p> <ul style="list-style-type: none"> - Develop robust and calibrated process model so that early indications or predictions can be tested for impact on outcomes. - Follow appropriate project governance related change and communication processes to signal issues. - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands 	<p>Medium</p>

<p>As a result of investigations being inconclusive on the best way forward, macro scope approval may be delayed which means there could be programme delays.</p>	<p>Medium</p>	<ul style="list-style-type: none"> - During investigation stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Correct scoping of investigations - Undertaking necessary calibration and measurement works to ensure accurate data is captured within the time frames required - Continuity of service from previous consultant. <p>Response:</p> <ul style="list-style-type: none"> - Carry out more tests and investigations. - Follow appropriate project and Governance related change and communication processes to reposition/reforecast timing expectations and budget provisions 	<p>Medium</p>
<p>As a result of investigations, the project estimates may be higher than anticipated which could lead to the project being undeliverable</p>	<p>High</p>	<ul style="list-style-type: none"> - Investigation stage - Concept design stage - Detailed design stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Develop robust cost estimates with peer reviews as appropriate - Identify regular hold points in project to confirm budget provisions align with project scope and deliverables. - A constructability and project estimate will be carried out at the concept stage to more thoroughly test the project estimate and construction methodology assumptions. - Review design to ensure cost effective solutions are developed that are not gold plated without considering budget impacts. <p>Response:</p> <ul style="list-style-type: none"> - Review project scope to identify opportunities to manage over-engineering. - Engage in value engineering discussions before progressing - Follow appropriate project and Governance process to report on costs and budget issues 	<p>High</p>

<p>As a result of public tendering processes, prices received could be higher than expected meaning that the project may be undeliverable.</p>	<p>High</p>	<ul style="list-style-type: none"> - Procurement - Construction 	<p>Prevention:</p> <ul style="list-style-type: none"> - Develop robust cost estimates with peer reviews as appropriate - Identify regular hold points in project to confirm budget provisions align with project scope and deliverables. - A constructability and project estimate will be carried out at the concept stage to more thoroughly test the project estimate and construction methodology assumptions. - Review design to ensure cost effective solutions are developed that are not gold plated without considering budget impacts. <p>Response:</p> <ul style="list-style-type: none"> - Review project scope to identify opportunities to manage over-engineering. - Engage in value engineering discussions with preferred contractor to seek way forward through scope adjustments or reduction 	<p>High</p>
<p>As a result of unforeseen eventualities such as procurement optimisation or delays, cash phasing as included in the current 2015-25 10 Year Plan may not align with actual cash flow requirements which means phasing may need to reviewed and could result in spending budgeted money earlier, or conversely, it could result in capital deferrals being required.</p>	<p>High</p>	<ul style="list-style-type: none"> - Procurement - Construction 	<p>Prevention:</p> <ul style="list-style-type: none"> - A constructability and project estimate will be carried out at the concept stage to more thoroughly test the project estimate and construction methodology assumptions. - Consider cash flow implications <p>Response:</p> <ul style="list-style-type: none"> - Identify changes - Follow appropriate project and Governance process to report on costs and budget timing - Provide input into annual plan processes to support rephrasing of cash flow forecasts. 	

<p>As a result of reviewed growth predictions, the underlying assumptions being used to define the required project outcomes may be wrong which would lead to demand in 2045 being higher than anticipated.</p>	<p>High</p>	<ul style="list-style-type: none"> - Throughout project life - 	<p>Prevention:</p> <ul style="list-style-type: none"> - Seek to include most relevant growth predictions and other external indicators in project assumptions <p>Response:</p> <ul style="list-style-type: none"> - Develop robust and calibrated process model so that early indications or predictions can be tested for impact on outcomes. - Follow appropriate project governance related change and communication processes to signal issues. - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands 	<p>Medium</p>
<p>As a result of new contaminants present in water due to upstream sewage effluent or agricultural runoff or other new activities affecting the drinking water quality standards, additional treatment processes may be required to meet drinking water standards, which will add significant unbudgeted costs meaning the project may be undeliverable.</p>	<p>Medium</p>	<p>Water quality data</p>	<p>Prevention:</p> <ul style="list-style-type: none"> - Continued monitoring or sub-regional activities <p>Response:</p> <ul style="list-style-type: none"> - The long-term program includes Ozone / GAC system to provide additional treatments. Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands 	<p>Medium</p>
<p>As a result of applying for a new wash water consent conditions in 2026, new more stringent conditions could be imposed which would require higher levels of treatment for discharge which means additional works may be required to comply with resource consent conditions.</p>	<p>Medium</p>	<ul style="list-style-type: none"> - When wash water discharge consent is renewed - 2026 	<p>Prevention:</p> <ul style="list-style-type: none"> - Liaison with working HCC representative on stakeholder working groups to be aware of emerging views. - Regular liaison with Waikato Regional Council. <p>Response:</p> <ul style="list-style-type: none"> - Appeal - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	<p>High</p>
<p>As a result of changes to the existing water take consent, councils water take abilities may be restricted which means that additional requirements are imposed that will introduce additional costs to meet forecast demands</p>	<p>Medium</p>	<ul style="list-style-type: none"> - Throughout project life - Beyond project 	<p>Prevention:</p> <ul style="list-style-type: none"> - Continue with organisational liaison with Regional Council <p>Response:</p> <ul style="list-style-type: none"> - Appeal - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	

<p>As a result of reviewed growth predictions, the underlying assumptions being used to define the required project outcomes may be wrong which would lead to demand in 2045 being higher than anticipated.</p>	<p>High</p>	<ul style="list-style-type: none"> - Throughout project life - 	<p>Prevention:</p> <ul style="list-style-type: none"> - Seek to include most relevant growth predictions and other external indicators in project assumptions <p>Response:</p> <ul style="list-style-type: none"> - Develop robust and calibrated process model so that early indications or predictions can be tested for impact on outcomes. - Follow appropriate project governance related change and communication processes to signal issues. - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands 	<p>Medium</p>
<p>As a result of new contaminants present in water due to upstream sewage effluent or agricultural runoff or other new activities affecting the drinking water quality standards, additional treatment processes may be required to meet drinking water standards, which will add significant unbudgeted costs meaning the project may be undeliverable.</p>	<p>Medium</p>	<p>Water quality data</p>	<p>Prevention:</p> <ul style="list-style-type: none"> - Continued monitoring or sub-regional activities <p>Response:</p> <ul style="list-style-type: none"> - The long-term program includes Ozone / GAC system to provide additional treatments. Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to meet compliance and growth demands 	<p>Medium</p>
<p>As a result of applying for a new wash water consent conditions in 2026, new more stringent conditions could be imposed which would require higher levels of treatment for discharge which means additional works may be required to comply with resource consent conditions.</p>	<p>Medium</p>	<ul style="list-style-type: none"> - When wash water discharge consent is renewed - 2026 	<p>Prevention:</p> <ul style="list-style-type: none"> - Liaison with working HCC representative on stakeholder working groups to be aware of emerging views. - Regular liaison with Waikato Regional Council. <p>Response:</p> <ul style="list-style-type: none"> - Appeal - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	<p>High</p>
<p>As a result of changes to the existing water take consent, councils water take abilities may be restricted which means that additional requirements are imposed that will introduce additional costs to meet forecast demands</p>	<p>Medium</p>	<ul style="list-style-type: none"> - Throughout project life - Beyond project 	<p>Prevention:</p> <ul style="list-style-type: none"> - Continue with organisational liaison with Regional Council <p>Response:</p> <ul style="list-style-type: none"> - Appeal - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	

As a result of higher levels of blue green algae affecting water quality, additional treatment may be necessary which means that current methods will need to be upgraded resulting in additional costs	Medium	Water quality data	<p>Prevention:</p> <ul style="list-style-type: none"> - GAC media replacement has been included in this project. <p>Response:</p> <ul style="list-style-type: none"> - The long-term program includes Ozone / GAC system to provide additional treatments. 	Low
As a result of large number of projects in the market place, access to professional services may be restricted due to high workloads which may lead to project delays or premium rates being applied to source appropriate resources.	Medium	<ul style="list-style-type: none"> - Investigation stage - Concept design stage - Detailed design stage 	<p>Prevention:</p> <ul style="list-style-type: none"> - Early market engagement - Bundling of projects <p>Response:</p> <ul style="list-style-type: none"> - Seek specialist resource from overseas - Seek resources outside of the LASS panel 	Low
As a result of the specialist work required within the WTP, and with other similar works being undertaken in the market place, there may be limited construction resources available to undertake the works which could lead to higher prices being received through public tender.	Medium	<ul style="list-style-type: none"> - Construction tender 	<p>Prevention:</p> <ul style="list-style-type: none"> - Early market engagement - Bundling of projects <p>Response:</p> <ul style="list-style-type: none"> - Re tender works or defer programme of works. - Use contract clauses to manage contractual time frames 	Medium
As a result of the large volume of works being undertaken at both the WWTP and WTP over what will be a five year period, limited capacity of the HCC operational staff could mean that integration with the day to day running is not as thorough as what is required to effectively plan and carry out works, meaning delays could be experienced, or operational issues arise.	High	<ul style="list-style-type: none"> - Throughout project life 	<p>Prevention:</p> <ul style="list-style-type: none"> - Early engagement to allow plenty of time for operational staff to respond to input requirements - Provide all relevant decision making information so as to minimise efforts by operational staff - Draw on previous lessons learned where possible - Make financial allowance for additional project management resource to carry out close liaison with operational staff <p>Response:</p> <ul style="list-style-type: none"> - Project funds an additional operational resource for use within regular operational duties to create extra capacity to respond and integrate with the Pukete 3 project requirements. - Follow appropriate project and Governance process to report on costs and budget issues 	Medium

<p>As a result of construction activities, site accidents may occur which could lead to personnel or public damage or harm.</p>	<p>Medium</p>	<ul style="list-style-type: none"> - Site investigations - Construction commences 	<p>Prevention:</p> <ul style="list-style-type: none"> - Approved Contractors only. - Enhanced construction monitoring - Seasonal phasing of works to lowest risk period. - H&S procedure enforced - Permit to work process followed <p>Response:</p> <ul style="list-style-type: none"> - H&S procedure enacted. 	<p>Low</p>
<p>As a result of changes to Health and Safety legislation, the current design specifications may not be suitable which means new and more stringent measures may be imposed which would increase costs potentially making the project undeliverable.</p>	<p>Medium</p>	<ul style="list-style-type: none"> - Throughout project life 	<p>Prevention:</p> <ul style="list-style-type: none"> - Monitor for legislation changes - Maintain best practice approach <p>Response:</p> <ul style="list-style-type: none"> - Adopt changes as necessary - Follow appropriate project and Governance process to report on costs and budget issues - Provide input into future 10 Year Plan processes to support bringing future upgrades forward as necessary to deliver the project. 	<p>Medium</p>
<p>As a result of construction activities, site processes are compromised leading to breach of consent compliance or drinking water standards.</p>	<p>High</p>	<ul style="list-style-type: none"> - Site investigations - Construction commences 	<p>Prevention:</p> <ul style="list-style-type: none"> - Approved Contractors only. - Enhanced construction monitoring. - Ensure incorporation of standard HCC H&S processes as a minimum standard. - Establishment of appropriate process for communication between consultants, contractors, and HCC staff <p>Response:</p> <ul style="list-style-type: none"> - Incident management procedures implemented. - Project team assist with emergency management plan deployment 	<p>Medium</p>
<p>As a result of progressed Waikato Sub-Regional Waters Study, the objectives or requirements of the WTP upgrade may change meaning that further works are required sooner than anticipated, or that current works become an overinvestment</p>	<p>Low</p>	<ul style="list-style-type: none"> - Throughout project life 	<p>Prevention:</p> <ul style="list-style-type: none"> - Utilise existing Sub Regional Options Study outcomes. - Monitor WSRWS developments and requirements. - Preferred option invests for the requirements that are known now and defers other works for future when a more definite view of the outcomes are understood and future capacity is actually required <p>Response:</p> <ul style="list-style-type: none"> - Review priorities and cost benefits analysis of new requirements on current programme of work. 	<p>Low</p>

1.13 Issues**Identify and describe**

The introduction of a large number of new and ongoing projects at both treatment plants during the WTP upgrade will generate:

High workload levels for operational staff:

Operations staff will be required to operate the plant to meet existing levels of service, while maintaining an overview and understanding of the potential and actual impacts from the programme of new works. Addressed by additional staff and consultant resources being utilised. There are some roles which operate across both the WWTP and WTP and so these roles will experience additional pressures.

Action: Engage effective programme management and expert resources who will retain responsibility for the overall programme and take responsibility for providing the necessary information and requirements to the operations staff in a manner so as not to over load them.

Shutdowns

Multiple shut down requirement while still running plant to meet level of service

Action: Addressed by phased shut downs across projects to coincide with least demand and liaison with other works programmes.

Unavoidable operational impacts

The consequential disruption to treatment processes will impact on the requirements to meet levels of service will result as part of the works

Action: Addressed by forward planning and process risk management protocols being applied. Works planned to maximise seasonal water demand.

Investigative approach

The preferred option relies on significant upfront investigations to inform and confirm the most appropriate upgrade investments to meet the WTP upgrade goal. Various scopes will not be able to be known at the outset which means this is somewhat of an iterative process.

Action: Allow time for investigations to be thoroughly undertaken, and include milestones where results are reported along with time and budget implications.

Reticulation Network

Currently the reticulation network is under pressure to provide for peak demand, with a number of instances where the peak output of the plant has almost been reached. There is little available storage capacity within the reservoir network to provide opportunity for extended shut down periods, or to mitigate risks during construction works which places high strain on the WTP.

Action: Plan around network restrictions

1.14 Constraints/Dependencies/Assumptions

Define and describe the factors under each of the headings

Constraints:

- Financial: The approved budget as in 2015–25 10 Year Plan is \$28.8M. Any additional budget requirements may need to go through the HCC's financial approval process.
- Resources: Internal staff may not be sufficient and external assistance will need to be procured to deliver the project.
- Legislation: – As this is the only WTP for Hamilton, upgrade works needed to be carried out without disrupting the delivery of service.
- Shutdowns must be agreed and scheduled to maintain consent compliance
- Existing consent conditions and drinking water standards dictate methodologies that may be used during works.
- Operations of the plant must take priority to ensure levels of service are maintained
- Works must be delivered within the funding available within the current 2015-25 10 Year Plan
- Compliance with current designation conditions.

Dependencies:

- Pukete Wastewater Treatment Plant Upgrade Project – It may be desirable for some aspects of the construction works for the Wastewater Treatment Plant upgrade and the Water Treatment Plant upgrade to be coordinated or integrated to optimise the timing and resources across both projects. Any delay / change in one of the project plans can impact on the other.
- Laser 3D Survey of WTP – It is planned that three dimensional Building Information Management (BIM) modelling will form part of the basis of any design documentation associated with the WTP upgrade project. This will need to utilise 3-D laser mapping.
- Various pieces of work within the overall programme cannot be progressed until detailed investigations have determined the most appropriate option. This won't be known until stages 1 has been mostly completed and stage 2 is beginning
- Procurement lead times for major materials
- Integrating with the ongoing renewals programme of works at both plants.

Assumptions:

- Funding remains as shown in the 2015-25 10 Year Plan.
- That any changes to the current planning rules that the project is required to be delivered under do not impact on the ability to deliver the works
- There will be contracting resources available to carry out the physical works.
- Geotechnical conditions are not so inconsistent with site investigations and findings to date
- Appropriate resource consents from Waikato Regional Council and Hamilton City Council can be obtained within timeframes required.
- The specialists / contractors / internal staff required to deliver the outcomes of this project, are available within the identified timeframes.
- No additional quality is sought above existing standards.
- Weather is suitable to enable temporary shutdowns without undue adverse effects on the treatment process.
- That the average daily demand will not exceed the current operational capacity before the works are completed.
- That major weather events will not adversely impact on flow and loads to the plant.
- Progress of the Waikato sub-regional waters study does not change the scope of the WTP upgrade.
- Current growth predictions used in the 2015-26 10 Year Plan are not increased significantly.
- A programme of works that meet the WTP upgrade goal can be achieved within the funds available within the current 2015-25 10 Year Plan
- A separate programme of work is delivered to provide network optimisation through water demand management. This programme is currently partially funded through the current 2015-25 10 Year Plan, and this project assumes it delivers on its intended outcomes.

2.0 ECONOMIC CASE

Critical success factors & the preferred way forward

2.1 Business Requirements (refer more detail in the specific notes section)

Identify the requirements that must be met – Define them according to **core vs desirable vs optional**

The business requirements that must be met are identified below.

Core:

These core requirements are the strategic objectives and critical success factors relating to this proposal.

- Provide for growth to 2045- increase water supply capacity and/or demand management activities by 30 June 2021
- Upgrade components of the WTP to achieve 140ML/day maximum output
- Improve resilience to allow for maintenance and reduce the risk associated with service failure
- Comply with legislative requirements
- The programme of works must be achievable within the current 2015-25 10 Year Plan funding.
- City Growth is not restricted due to capacity issues at the WTP

Desirable:

- Value for money
- Investigations and physical works installation must occur without impact on the plant's operation;
- Works requiring existing process outages well planned and coordinated with other works programmes to reduce operational risk;
- Cost saving synergies are realised across all programmes at the two treatment plants.
- Co-ordinated installation of required utilities and services across the investment programmes on site.
- Low impact environmentally friendly design of new structures
- Energy and chemical use further optimised as a result of the upgrade

2.2 Available Options – Long List (refer more detail in the specific notes section)

Consider a wide range of realistic options for meeting the business requirements. Has a feasibility study been done? You must include a base case: chose either status quo or do nothing or do minimum for this purpose

Considerable investigation and analysis has been undertaken to develop a thorough understanding of the process and capacity at the Water Treatment Plant. This information has been compiled over a number of years and is drawn together into the Water Master Plan, the Water Activity Management Plan (AMP) (D-1483257), and more recently the 2015 WTP Capacity Review (WTP). This strategic thinking has resulted in inclusion of capital project funding in the 2015-25 HCC 10 Year Plan and the Hamilton City 30 Year Infrastructure Strategy.

The **scale and scope** section, and the **service solution** section are informed by these documents, while the **service delivery, implementation, and funding** sections have been further informed through other sources more specific to the context of this project

The Business Case describes five options for dealing with future growth and operational resilience:

Dimension	Description	Options
Scale and scope	In relation to the proposal how big/small could this be? e.g. by levels of functionality, unit/group/organisation-wide	Status Quo: Supply water to Hamilton City. Option 1: Supply water to a wider region than Hamilton City ²
Service Solution	How can services be provided? e.g. potential solutions and answers, use of technologies	Status Quo: The water supply for Hamilton City is provided from the Waikato River via the existing Waiora WTP with capacity 105 ML/d able to supply peak

² For the purpose of this business case, it is assumed that the solution is required to service Hamilton City only. Supply to other towns is not included within the scope of this business case.

		<p>demand until around 2015-2020.</p> <p>Option 1: Increase capacity at Waioira WTP (including relocating existing Waikato River intake to provide security in low flow drought conditions)</p> <p>Option 2: Demand management A:</p> <ul style="list-style-type: none"> • Smart Water Use programme • Universal Water Metering (UWM) and volumetric pricing • Proactive Demand Management programme • Water loss reduction <p>Option 3: Demand management B:</p> <ul style="list-style-type: none"> • Network reconfiguration to increase system storage and reduce peak load <p>Option 4: New WTP on the Waipa River.</p> <p>Option 5: Upgrade WTP and demand management B.</p>
Service Delivery	Who can deliver the services? e.g. in-house, out sourced, alternative procurement strategies	<p>Status Quo: HCC provides the water supply service.</p> <p>Option 1: Outsource to external service provider.</p>
Implementation	When can the services be delivered? e.g. timing and staging, big bang, phased, modular	<p>Status Quo: n/a</p> <p>Option 1: Implementation as per existing 2015–25 10 Year Plan budget phasing of 2015/16 to 2020/21</p> <p>Option 2: Implementation timing and delivery mechanism optimised across Water and Wastewater treatment plant upgrade 2015 – 2025 10 Year Plan budgets (currently being assessed as part of the Procurement Strategy).</p>
Funding	How can it be funded? e.g. Capital, operating, PPP, grant	<p>Status Quo: n/a</p> <p>Option 1: Allocated 2015-25 10 Year Plan budget of \$28.8M.</p>

The long-list options were developed together with the HCC Project Manager and HCC Project Development Manager. In developing the long-list of options and evaluating these to determine the short-list options, the following reports were considered:

- Managing Demand for Water (June 2013, MWH NZ Ltd and Thomas Civil and Environmental Consulting)
- Hamilton City Water Supply – City Wide Strategic Masterplan (May 2015, Mott MacDonald)

The long-list of options was assessed using a simplified two-tick methodology as recommended in the Green Book Guidance on Public Sector Business Cases Using The Five Case Model (Llywodraeth Cymru Welsh Government, October 2012). The purpose of this assessment was to assess the long-list of options against the objectives and critical success factors to determine a short-list of options.

The detailed assessment is shown in Appendix 2.2.

Based on the detailed option assessment the short-listed options were determined as follows:

1. Status Quo
2. Option 1 – Upgrade existing WTP
3. Option 2 – Demand Management B (reconfigure network)

4. Option 3 – Upgrade existing WTP and Demand Management B (reconfigure network)

The optimal implementation timeframes and mechanisms will be confirmed through the Procurement strategy and incorporated within the short-listed options above.

The following options were discounted (refer Appendix 2.2) as they do not meet the required project objectives and critical success factors:

1. Demand Management A (UWM + other demand management) - Demand management initiatives will allow for a reduction in peak demand through reticulation network optimisation but will not improve treatment resilience. There is a risk associated with this option as the extent of demand reduction is unknown. This option was not considered further as it does not provide quantifiable additional capacity required for growth, and does not provide for increased resilience which means a WTP upgrade is still required.
2. New WTP on the Waipa River - The new WTP would cater for demand and significantly improve system resilience through the provision of a second water source. This option was not considered further as it requires a significantly larger investment, and does not make best use of current investments and current realisable capacity created to date. It cannot be delivered within the required timeframes or funding available to meet the current demand.

2.3 Preferred Option – engage with stakeholders to develop this and identify whole of life cost of the proposal Identify the preferred option, describing strategic fit, how well it meets the business requirements and its advantages and disadvantages

The preferred option was determined by evaluating the Potential Value for Money (VfM) of the short-listed options.

The preferred option is to upgrade the existing Waiora WTP to 140 ML/day to cater for population growth in Hamilton City until around 2045. The implementation mechanism and timing will be optimised across the water and wastewater treatment plant upgrade projects

The WTP upgrade will be carried out during the period 2015/16 to 2020/21.

Initial investigations will be focused on the following major components:

- Sedimentation and filtration.
- GAC treatment .
- Sand filters.
- Sludge handling

Strategic Fit	<p>This project delivers on the following HCC strategies:</p> <ul style="list-style-type: none"> • Long Term Infrastructure Strategy 2015-2045 • Sub-Regional Three Waters Strategy • HCC Economic Development Agenda • Hamilton Urban Growth Strategy and Future Proof Growth Strategy 2009 <p>How this project delivers against the above strategies is summarised in Section 1.3 of this business case.</p>
Business Requirements	<p>This project ensures:</p> <p>Growth: Sufficient capacity to cater for demand growth until around 2045. At this time a new WTP will be constructed to cater for further demand growth (this will be a future business case) and the planning for this WTP will take into account the impact that demand management initiatives have had on demand profiles and the optimal timing for implementation of this new WTP.</p> <p>Security of Supply: Sufficient redundancy to allow for WTP maintenance and reduce risk associated with asset failure within the WTP. In the future a new WTP will be constructed to further enhance security of supply by providing an additional supply to the city.</p>
Advantages	<ul style="list-style-type: none"> • Increased overall plant capacity to 140 ML/d • Optimal use of the existing plant assets • Optimal use of existing Waikato River Water Take Permit (Resource Consent) • Improved redundancy of plant components • Improved certainty of performance in a moderate algal event

	<ul style="list-style-type: none"> Improved operational efficiency as the preferred option makes use of the existing chemicals on site and low power consumption processes. The allocated budget of \$28.8M in the 10-Year Plan is sufficient to deliver the major components necessary for immediate demand
Disadvantages	None other than those normally experienced through the construction of a major upgrade of this nature.

2.4 Potential Value for Money

Describe how the preferred option maximises value for money

The preferred option maximises value for money as:

- The project scope seeks to maximise current capacity and meet required levels of service without overinvestment or investment in sacrificial or unnecessary infrastructure.
- Thorough upfront investigations inform the most appropriate upgrades now while developing models for testing future upgrade requirements.
- The known operational risks associated with the current plan can be mitigated, including:
 - Multiple outage periods across several programmes of work
 - Stage of the process with unknown / unconfirmed capacity of will be identified and addressed
- Provides just the right upgrade now while allowing time for Council staff to determine the optimum sub-regional solution for future the longer term.
- Presents an opportunity to add value through optimising investment by aligning renewal or small capital improvement works with areas where capacity increases are also being investigated.
- Maximises the use of in-house resources and supplements known gaps through the engagement of consultants and contractors.
- Enables new technologies to be considered

2.5 Achievability

Outline how the preferred option will be successfully delivered

This project can be successfully delivered using Council’s standard project management and procurement procedures. This is a major construction project and during construction has the potential to have an adverse impact on Council’s normal operations.

Successful delivery of the project requires input across a number of internal business units and external support.

Internal

- City Development Unit – overall programme management and procurement of consultants and contractors in accordance with Council policies and procedures
- City Development is well placed to deliver these works with in-house project management resources having recently delivered works of a similar nature and so the in-house experience will be drawn on for general input as necessary
- City Waters Unit – must continue to operate the WTP throughout the works within their legislative obligations. They will also provide input into technical aspects of the design along with asset management function.

External

- Consultants / subject experts – will undertake design of the works including investigation, detailed design, assist with consultation, consenting, and supervision during construction
- Construction – physical works delivery to be procured in line with Council’s procurement policy. Council approval will be required due to the financial delegations required
- There are a number of contractors known to have significant experience. The contract documentation will include appropriate conditions to ensure robust measures against which to evaluate the submitted tenders. This will include track record, experience on projects of similar size and complexity, and the skills of the specific staff of the company. Council’s “buy local” policy will also be applied to this contract which will further emphasise the importance of local knowledge for successful delivery of the works

Timing

- This project is currently in the investigation phase

- Concept and detailed design will take place during 2016
- Construction planned to begin in the latter months of 2016.

2.6 Affordability

Outline how the preferred option will be funded

Funding

Capital costs to deliver the project are included within existing 2015-25 10 Year Plan budgets to a value of \$28,746,000.

Allowances for consequential operation and maintenance costs and asset depreciation have been included within the 2015-25 10 Year Plan. Costs have also been factored into the Developer Contribution model.

As detailed investigations are progressed, the project costs will be reviewed and any changes reported in accordance with the project management structure. Refer to 4.1 and 4.2 for more detail on rough order project costs.

The project is not subsidised and does not rely on external funding such as third party contributions to complete.

3.0 COMMERCIAL CASE	
Resource requirements	
3.1 Identify the resource requirements – define internal and external?	3.1a Proposed procurement strategy – the how not the what Council's Procurement Policy & Procedures Manual
<p>Internal</p> <p>Programme Level Programme Sponsor - General Manager City Infrastructure Programme Manager – City Development Project Development Manager City Infrastructure Waters Operational Governance and Steering Groups</p> <p>Project Level Project Sponsor - City Waters Unit Manager Project Manager - City Development Project Steering Group - City Waters (TBA)</p> <p>The project manager will be responsible for managing the consultants and contractors at each phase of the project including:</p> <ul style="list-style-type: none"> • Options study • Functional design • Detail design • Tender document preparation • Evaluation of tenders • Contract management • Testing • Training • Preparing project completion documents including as-built, operations manual, etc. <p>Other internal units (teams)</p> <ul style="list-style-type: none"> • City Development – provide resources to assist City Waters with procurement • Procurement • Finance – monthly reporting, Council Committee reporting, etc. • Communications – developing the communication plan and supporting implementation • Risk and Emergency Management - Changes to HCC's risk and emergency plans to accommodate WTP construction works impacts (constructions stage and after implementation) • Health and Safety <p>External</p> <p>Consultants To provide specialist support at each phase of the project as required including:</p>	<p>Internal Staff will be selected based on their roles within Council and their availability.</p> <p>External</p> <p>Professional Services The Waikato LASS PSP will be used for engagement of consultants.</p> <p>Physical Works A strategic level procurement options investigation and assessment has been undertaken regarding both the Water Treatment Plant Upgrade and Wastewater Treatment Plant Upgrade projects to inform a strategy to best procure and deliver the project works.</p> <p>The assessment looked at different procurement and delivery bundling options in terms of contract size, including combined options with other programmed works at the treatment plants (renewals and minor compliance upgrades), as well as different contract forms, including potential public-private partnerships, alliance type, design-build-operate and more traditional design and build.</p> <p>The options assessment has identified that the scale and scope of the project are likely not suited for a relationship type agreement (i.e. / Concession Contracting, Public Private Partnership, Alliance or Design-Build-Operate), and a more traditional contract model such as design-build or construction tendering following separate detailed design would likely deliver the overall best solution in terms of value for money as well as ongoing plant operation and compliance.</p> <p>As the project scope and outputs are further refined bundling and contract model options will be further investigated to inform a subsequent detailed project procurement strategy.</p> <p>Procurement Methodology In accordance with Councils procurement policy:</p> <ul style="list-style-type: none"> • Direct Appointments <ul style="list-style-type: none"> ○ Where there is no price tension to be gained through the tender process and the total cost of the works is less than \$100,000 works will be procured through direct appointments, • Public Request for Quote <ul style="list-style-type: none"> ○ For physical works or procurement of assets of a value between \$10,000 and \$100,000, three quotes will be requested and evaluated using this method, in accordance with HCC Procurement Policy.

<ul style="list-style-type: none"> • Options study • Functional design • Detail design • Development of the procurement plan • Tender document preparation • Evaluation of tenders • Contract management • Testing • Training • Preparing project completion documents including as-built, operations manual, etc. <p>Contractors</p> <p>A suite of Contractors to carry out the WTP upgrade construction works that include:</p> <ul style="list-style-type: none"> • Civil works • Mechanical and process • Fabrication and installation • Electrical and control installation 	<ul style="list-style-type: none"> • Public Request for Tender <ul style="list-style-type: none"> ○ For works or procurement of assets over \$100,000, the request for tender method will be used in accordance with HCC Procurement Policy.
<p>Procurement Strategy</p> <p>A strategic level procurement options investigation and assessment has been undertaken regarding both the Water Treatment Plant Upgrade and Wastewater Treatment Plant Upgrade projects to inform a strategy to best procure and deliver the project works.</p> <p>The assessment looked at different procurement and delivery bundling options in terms of contract size, including combined options with other programmed works at the treatment plants (renewals and minor compliance upgrades), as well as different contract forms, including potential public-private partnerships, alliance type, design-build-operate and more traditional design and build.</p> <p>The options assessment has identified that the scale and scope of the project are likely not suited for a relationship type agreement (i.e. / Concession Contracting, Public Private Partnership, Alliance or Design-Build-Operate), and a more traditional contract model such as design-build or construction tendering following separate detailed design would likely deliver the overall best solution in terms of value for money as well as ongoing plant operation and compliance.</p> <p>As the project scope and outputs are further refined bundling and contract model options will be further investigated to inform a subsequent detailed project procurement strategy.</p> <p>Opportunities in procurement synergies with similar works across both the WWTP and WTP will be explored and will likely result in cash flow implications on the current 2015-25 10 Year Plan spend profile. In seeking economies of scale and procurement of the appropriate resources, cash flows implications will be managed to balance spend across both WWTP and WTP upgrade projects with an aim to managing a balanced waters annual spend as a whole.</p>	

4.0 FINANCIAL CASE				
Affordability and funding requirements				
The following funding allocations have been included in the 2015-25 10 Year Plan in relation to the Water Treatment Plant Capacity Upgrade project:				
4.1 Description	4.2 Amount	4.3 Timing	4.4 Funding	4.5 Budget Notes
Capital Expenditure				
Total \$28,746,000 comprising:				
Investigations and Options Assessment	\$500,000	2015-2016	CE15144	Funded Capital Expenditure in 10 Year Plan: 2015 /16 - \$500,000
Design	\$1,500,000	2016-2017	CE15144	Funded Capital Expenditure in 10 Year Plan: 2016 /17 - \$1,000,000 2017/18 - \$500,000
Construction	\$26,746,000	2016-2021	CE15144	Funded Capital Expenditure in 10 Year Plan: 2016 /17 - \$1,052,000 2017/18 - \$7,926,000 2018/19 - \$6,488,000 2019/20 - \$5,558,000 2020/21 - \$5,722,000
Total Capital Expenditure	\$28,746,000	2015-2021	CE15144	
Operations and Maintenance Expenditure				
An allowance has been included in the 2015-25 10 Year Plan for consequential project operation and maintenance costs as outlined below. These costs will continue for the life of any new assets. Assessment of actual consequential operation and maintenance expenditure is dependent on the confirmed project scope, and at this stage cannot be accurately assessed.				
Consequential Operation and Maintenance Costs	\$1,562,000	2020-2025	Within O&M budgets	2019/20 - \$110,000 2020 /21 - \$273,000 2021/22 - \$281,000 2020/23 - \$290,000 2023/24 - \$299,000 2024/25 - \$309,000
Asset Depreciation				
Depreciation of assets will be based on a nominal 15 year life for mechanical and electrical equipment and 50 years for civil structures, commencing from 2020/21 based on the gross capital cost. Assessment of actual depreciation cost is dependent on the confirmed project scope, and at this stage cannot be accurately assessed. An allowance has been included in the 2015-25 10 Year Plan as outlined below:				
Asset Depreciation (based on a nominal 40 year asset life)	\$4,237,600	2017-2025	Within O&M budgets	2016/17 - \$12,500 2017/18 - \$63,800 2018/19 - \$274,450 2019/20 - \$436,650 2020 /21 - \$575,600 2021/22 - \$718,650 2020/23 - \$718,650 2023/24 - \$718,650 2024/25 - \$718,650
4.6 Comments – describe any contracting mechanisms that may apply and identify costs associated with risk. Provide any additional details on the above as appropriate				
<p>The budgets presented above have been developed based on:</p> <ul style="list-style-type: none"> • Historical deployment costs from current and previous works on site • Contractor and consultant cost estimates received to date • Staff estimates for any unknown items, it is anticipated that these estimates will be confirmed upon receipt of investigation studies and engagement through either the PSP or tender process 				

- The budget estimates include staff time costs, consultants and contractor fees
- Staff costs are inclusive of all phases of the project including scoping, design, implementation and close out
- Excluded from the budgets are any costs associated with re-work, contractor non-performance, weather (resulting in construction delays) etc.

Refer to section 1.12 regarding identified risks associated with budget allocations.

No additional insurance costs are anticipated as a result of this project, current Council policy is that capital infrastructure will be self-insured with specific risks covered under existing policies.

Funding for this project will be via a combination of development contributions and rates funding. Incorporation of associated debt funding has been included in organisational forecasting and calculations as included in the 10 year plan review and approval process.

5.0 MANAGEMENT CASE

Ensuring successful delivery

5.1 Stakeholder Engagement

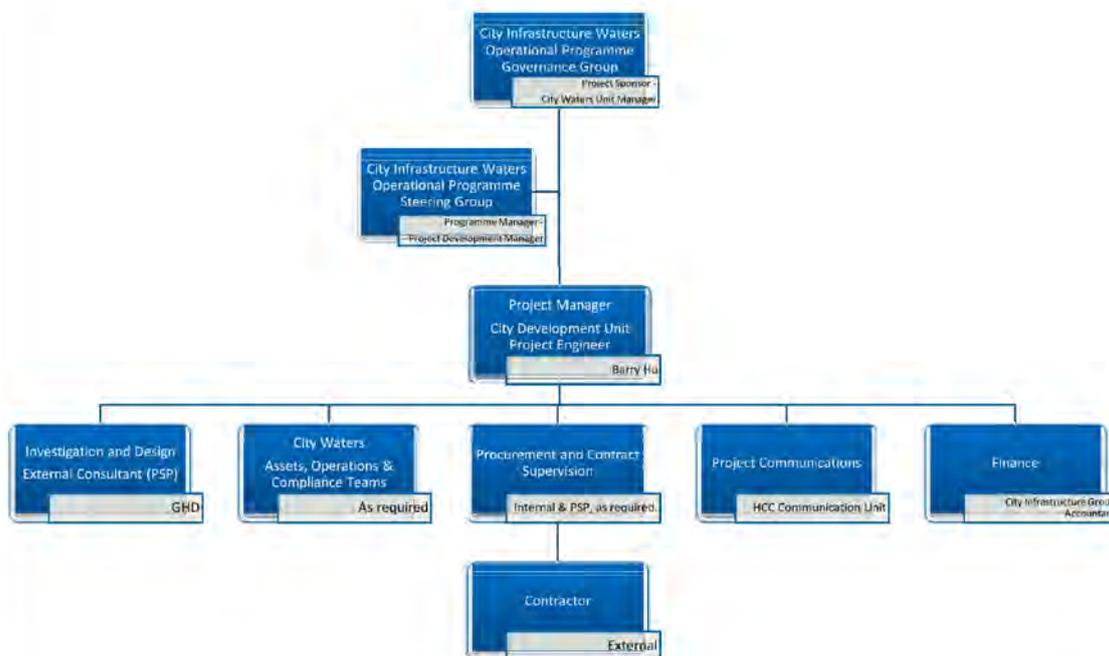
The following table identifies the stakeholders with an interest in this project and indicates their involvement in the development of this business case and if future engagement is planned.

Stakeholder	Involvement in preparation of this Business Case	Further engagement planned if the business case is approved
Neighbouring Properties - Glenview Bowling Club, Daycare Centre, Residential/Commercial Properties	No	Yes
Ministry of Health	No	Yes
Waikato Regional Council	No	Yes
Mayor and elected members	No	Yes
CEO and Senior Leadership Team (SLT)	Yes	Yes
Risk Forum	No	Yes
Infrastructure Governance Group (IGG) Waters	Yes	Yes
City Development	Yes	Yes
Programme Manager - ICMP and Master Plans	Yes	Yes
Manager City Waters – Project Sponsor		
City Waters – Plant Operators	Yes	Yes
City Waters – Drinking Water Compliance	Yes	Yes
City Waters – Asset Management	Yes	Yes
Risk and Emergency Management	No	Yes
Organisational Development – Health and Safety	No	Yes
Procurement Team	Yes	Yes
Communications Team	No	Yes
Finance Team	Yes	Yes
Consultants	Yes	Yes
Contractors	No	Yes
Suppliers	No	Yes
General Hamilton City residents and businesses	No	Yes
Tangata Whenua	No	Yes

5.2 Proposed Implementation Plan

This project will be delivered in keeping with Council’s best practice project management principles and practice. A full project scope and project plan will be developed by the Project Manager.

1. Governance and Management Structure



2. Reporting Arrangements

This project will utilise the existing City Infrastructure Waters Programme Governance framework, which includes regular reports and updates to programme steering and governance groups.

A technical level project steering group will also be developed, which will be chaired by the project manager.

If required, the organisational Key Project reporting process could also be utilised if desired by Council.

3. Proposed Project Management Plan

A draft project plan was produced by GHD in July 2015 (refer attachment 5.1). The plan outlines the activities and resources required to deliver the project including a City Development resource as the assigned project manager.

Programme Management Works:

- Business Case Approval (SLT)

Consultant Engagements:

- Option study by GHD, PSP 15079
- Functional Design
- Detailed design

Supplier Engagements:

A strategic level procurement options investigation and assessment has been undertaken regarding both the Water Treatment Plant Upgrade and Wastewater Treatment Plant Upgrade projects to inform a strategy to best procure and deliver the project

works.

The assessment looked at different procurement and delivery bundling options in terms of contract size, including combined options with other programmed works at the treatment plants (renewals and minor compliance upgrades), as well as different contract forms, including potential public-private partnerships, alliance type, design-build-operate and more traditional design and build.

The options assessment has identified that the scope and scale of the contract works are likely not suited for a relationship type agreement (i.e. / Concession Contracting, Public Private Partnership, Alliance or Design-Build-Operate), and a more traditional contract model such as design-build or construction tendering following separate detailed design would likely deliver the overall best solution in terms of value for money as well as ongoing plant operation and compliance.

As the project scope and outputs are further refined bundling options will be further investigated to inform a subsequent detailed project procurement strategy.

4. Project Deliverables

The deliverables of the project are the following major components for an estimated total project value of \$28.8M.

- Two new high rate sedimentation tanks with a total capacity of around 45 MLD.
- GAC media replacement.
- Two new sand filters.
- Sludge balancing tank and Sedimentation Tank sludge cones.

5. Budget Allocation

Capital expenditure budget of \$18,356,000 allocated in the 2015-25 10 Year Plan:

2015-25 10 Year Plan (\$000)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
CE15144							
Water Treatment Plant Capacity Upgrade	\$500	\$2,052	\$8,426	\$6,488	\$5,558	\$5,722	\$28,746

Consequential project operational costs have also been incorporated in 2015-25 10 Year Plan financial allocations. Further details are provided in Section 4.0 – Financial Case.

6. Contract Management Arrangements

To be confirmed pending project scope and output refinement. Contract models and bundling options will be further investigated to inform a subsequent detailed project procurement strategy.

7. Engagement of external specialists

External specialists will be engaged to deliver elements of this project as these resources are not contained in-house or are in-house but unavailable due to commitments on other capital works projects. These specialists include:

- Investigation into options
- Concept and detailed design
- Quantitative risk assessments
- HAZOP
- Cost benefit analysis
- Tender documentation (specifications) to obtain a contractor to complete the installation of the scrubber
- Tender evaluation
- Contract management
- Project close out

8. Communication Strategy

A communications plan is being developed to provide information to the public regarding the proposed water treatment plant upgrade.

9. Change Management Planning Requirements

A new SOP will be developed and training provided to operators.

10. Benefits Management Planning

A project benefits mapping workshop involving key project stakeholders has been undertaken as part of the Business Case development with the key benefits and precursor requirements logged. Benefits realisation will be monitored and reported by the Project Manager and reported to the PGG and Council as part of project reporting.

11. Risk Management

The project manager will identify and manage the risks associated with this project. The project manager will hold a risk register of these risks and report by exception to the Project Steering Group, Project Governance Group and Council.

12. Continuity Planning Arrangements

This will be further developed as part of the on-going development of the procurement strategy

13. Post Project Evaluation

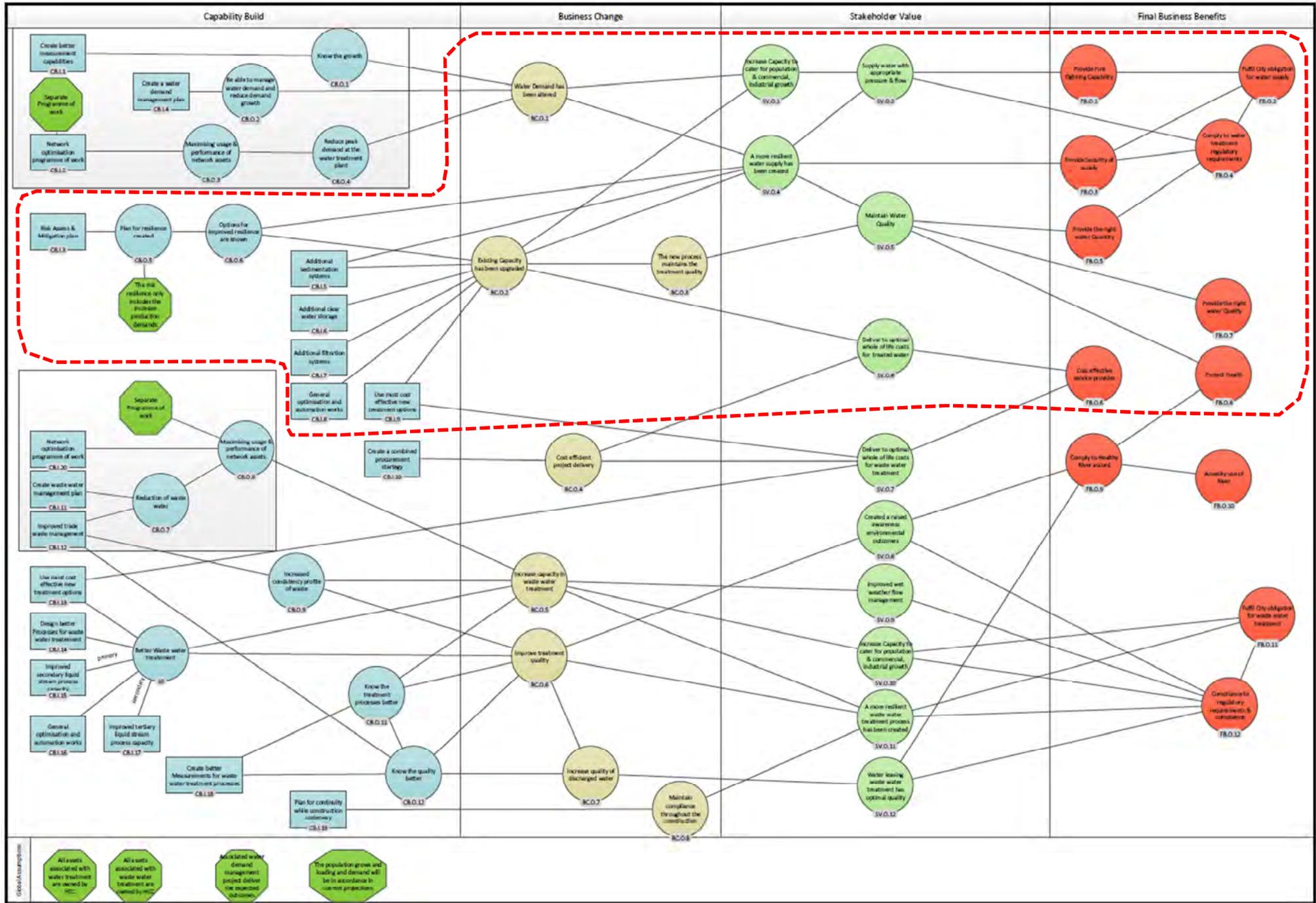
A project close-out report will be completed by the project manager, on the conclusion of the work approved. The project sponsor and project governance group will be responsible for accepting the project deliverables and approving the project closure report.

A post implementation review (PIR) will be conducted to confirm the delivery of all benefits identified in association with the work undertaken. This will be completed by City Development and reported to Council. It is anticipated that the PIR will be carried out approximately 6-12 months following implementation.

Hamilton City Council Business Case Appendices

- 1.0 Strategic Case**
 - 1.1 2015 Water Treatment Plant Capacity Review – D-1748959
 - 1.2 Project Benefits Map
- 2.0 Economic Case**
 - 2.1 Long List Options Assessment
- 3.0 Commercial Case - none**
- 4.0 Financial Case - none**
- 5.0 Management Case**
 - 5.1 Waiora 2 Water Treatment Plant Upgrade Draft Project Plan - D-1864512

1.2 – Project Benefits Map



2.1 – Long List Options Assessment

The long-list of options was assessed using a simplified two-tick methodology as recommended in the Green Book Guidance on Public Sector Business Cases Using The Five Case Model (Llywodraeth Cymru Welsh Government, October 2012). The purpose of this assessment is to assess the long-list options against the objectives and critical success factors to determine a short-list of options.

In the following assessment the following definitions apply:

Strongly meets the criteria	✓✓
Broadly meets the criteria	✓
Does not meet the criteria	✗

1. Assessment of Scale and Scope Options

Status quo of continuing to supply water to the geographic area of Hamilton City is the only available option. Supplying water to a wider region than Hamilton City is not within the scope of this assessment and is not assessed in this business case.

2. Assessment of Service Solution Options

The assessment of the service solution options was carried out with HCC Project Manager and Project Development Manager and is summarised below.

	Status Quo	Option 1: Increase capacity at Waiora WTP	Option 2: Demand Management A (UWM + others)	Option 3: Demand Management B (reconfigure network)	Option 4: New WTP	Option 5: Increase capacity at Waiora and Demand Management B
Provide for population growth by 2021	✗	✓✓	✓	✓	✓✓	✓✓
Improve system resilience	✗	✓	✗	✓	✓✓	✓
Comply with legislative requirements	✗	✓	✓	✓	✓	✓
Potential achievability	✓✓	✓✓	✓	✓✓	✓	✓✓
Potential affordability	✓✓	✓✓	✓	✓✓	✗	✓✓
Advantages and Disadvantages	The existing WTP is at capacity and is not able to cater for increasing population growth without intervention. The existing processes are not robust and there is limited process redundancy to allow for system maintenance or repair in the event of failure.	Upgrade of the WTP would allow for increased capacity to cater for demand until around 2045, as well as the opportunity to improve process elements to improve system resilience.	Demand management initiatives will allow for a reduction in peak demand but will not improve system resilience. There is a risk associated with this option as the extent of demand reduction is unknown.	Network reconfiguration will allow increased storage which will improve system resilience as well as reducing the peak load on the existing WTP. However additional supply is likely to still be required as demand outstrips supply in the future. This option does not allow for	The new WTP would cater for demand and significantly improve system resilience through the provision of a second water source. However, the WTP is not currently affordable within funding envelopes.	A combination of Demand Management and WTP upgrade would allow for population growth to be catered for over a longer period.

	Status Quo	Option 1: Increase capacity at Waiora WTP	Option 2: Demand Management A (UWM + others)	Option 3: Demand Management B (reconfigure network)	Option 4: New WTP	Option 5: Increase capacity at Waiora and Demand Management B
				improving resilience within the existing WTP.		
Overall	Status Quo	Preferred	Discard	Carried Forward	Discard	Carried Forward

3. Results of Initial Long-list Options Appraisal

The results of the initial long list options appraisal are provided below.

Service Dimension	Status Quo	Choices within each Dimension				
Service Scope	Supply water to Hamilton City. ✓✓	Supply water to a wider region than Hamilton City ³ . ✗				
Service Solution	Existing capacity at Waiora WTP (cater for demand until 2015-2020). ✗	Increase capacity at Waiora WTP ✓✓	Demand Management A (UWM + others) ✗	Demand Management B (reconfigure network) ✓	New WTP ✗	Increase capacity at Waiora and Demand Management B ✓✓
Service Delivery	HCC provides the water supply service. ✓✓	Outsource to external service provider. ✗				
Implementation	n/a	Implementation as per existing 2015-25 10 Year Plan budget phasing of 2015/16 to 2020/21 ✓	Implementation timing and delivery mechanism optimised across Water and Wastewater treatment plant upgrade 2015-25 10 Year Plan budgets (currently being assessed as part of the Procurement Strategy). ✓✓			
Funding	n/a	Allocated 2015-25 10 Year Plan budget of \$28.8M. ✓✓				

³ For the purpose of this business case, it is assumed that the solution is required to service Hamilton City only. Supply to other towns is not included within the scope of this business case as decided by HCC workshop participants

Committee: Council

Date: 10 December 2015

Report Name: Sale of Hamilton City Council
Pensioner Housing Portfolio

Author: Nicolas Wells

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>10 Year Plan, Housing for Older Persons Policy (Pensioner Housing)</i>
Financial status	<i>There is not budget allocated. Any costs from the sale process will be met from the proceeds of sale. If sale is not completed costs will need to be funded through corresponding savings tracked in the Risks and Opportunities process.</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 recommendations is considered to have a high degree of significance</i>

1. Purpose of the Report

2. To (1) present the outcome of the Request for Expressions of Interest process for the sale of the Council-owned Pensioner Housing Portfolio and (2) recommend sale of the entire portfolio to Accessible Properties New Zealand Limited.
3. A separate report in the confidential section of the agenda includes the expressions of interest documentation and agreement for sale and purchase submitted by two preferred purchasers. The purchasers have requested that portions of this documentation remain confidential.

4. Executive Summary

5. On 27 November 2014 the Hamilton City Council resolved to sell its Pensioner Housing Portfolio comprising 344 units in 17 complexes. The Council instructed the Chief Executive Officer to “undertake a Request for Expressions of Interest (REOI) process for the sale of the Council’s pensioner housing with the results of the REOI to be reported back to Council for a final decision on any offers received” and “approve the criteria and framework for evaluating all social housing providers who participate in the REOI” and that “the REOI sale process will be for a period of six months commencing 23 February 2015”.

6. The REOI process and evaluation criteria were approved by the CEO on 12 February 2015. The REOI process was commenced on 23 February 2015 and closed on 24 August 2015. Five expressions of Interest were received:
 - Accessible Properties New Zealand Limited (Accessible)
 - Activate Foundation Trust (Activate)
 - Habitat for Humanity Central North Island (Habitat)
 - JAST Pure NZ Limited (Jast)
 - N M Deshpande (Deshpande)
7. A Project Evaluation Team (PET) was established to manage the sale process. The PET was charged with (1) evaluating proposals against each of the assessment criteria, (2) developing a short-list of preferred purchasers (3) evaluating the proposals submitted by preferred purchasers and (4) identifying and confirming a single preferred purchaser for recommendation to Council.
8. Accessible and Habitat offers were shortlisted for further detailed evaluation. Accessible and Habitat have both offered to purchase the entire Pensioner Housing Portfolio. Both organisations, and their offers, have been subjected to a full due diligence process involving external subject matter experts.
9. The non-financial aspects of both offers have been evaluated and scored. Extensive consideration was given in the evaluation process to how the two offers aligned with Council's decision on social housing and the eight important matters contained in the Housing for Older Persons Options Paper.
10. One of Council's critical considerations when deciding to sell the Pensioner Housing Portfolio on 24 November 2014 was the need to broaden the service provided from the relatively narrow provision of housing for the elderly into a more comprehensive service offering a full range of social housing options. Council did not prescribe the types of social housing to be provided, in order to encourage diversity and flexibility as well as allowing the provider to respond to the particular social housing needs within Hamilton at any given time. Understanding the nature of the proposed social housing provision and how this aligned to Council's aspiration was a core consideration in the evaluation of offers and recommendation to Council.
11. In the evaluation process staff considered the mix of tenants that could arise from a move to social housing from pensioner housing and sought assurances that existing tenants interests would be protected. Accessible and Habitat provided information on the tenant mix:
 - Accessible intend to carefully determine compatibility of new tenants with existing tenants to achieve groupings of tenants with similar circumstances to help develop friendships and mutual support networks. Many new tenants are likely to be elderly.
 - Habitat are well aware of the tensions that may result from changing the mix of tenants and intend to handle the tenant mix with extreme care and a focus on the needs of existing tenants. It is very likely that Habitat will continue to target provision of service towards the elderly.
 - Information on tenant mix and how the parties intend to give effect to Council's requirement for social housing delivery are detailed in Attachments 8 and 9.

12. The financial components of the offers are summarised in Table 1 below:

Table1

OPTION	DESCRIPTION	ACCESSIBLE (\$)	HABITAT (\$)	CURRENT MARKET VALUE (\$)
A	Immediate settlement No Council-imposed rent rise	16,000,000	14,525,500	15,500,000 – 18,350,000
B	Immediate settlement 11% Council-imposed rent rise	17,500,000	17,047,913	18,045,000 – 22,760,000
C	Deferred Settlement No Council-imposed rent rise	23,000,000 (= 20,048,955 NPV)	Did Not Offer	15,500,000 - 18,350,000
D	Deferred settlement 11% Council-imposed rent rise	23,500,000 (= 20,484,843 NPV)	Did Not Offer	18,045,000 - 22,760,000

13. Following the detailed evaluation process, staff recommend that the entire Pensioner Housing Portfolio be sold to Accessible Properties New Zealand Limited on the basis of Option D, with an 11% rental increase effective from settlement date. The 11% deferred rent increase is necessary and represents an adjustment to meet the full cost of providing the housing service as previously reported to Council through the 2015-25 Long Term Plan. The Accessible proposal meets all of the conditions Council set when resolving to sell the Pensioner Housing Portfolio. A deferred settlement sale (Option D) also provides a considerably higher sale price than payment on settlement.
14. Sale of the Pensioner Housing portfolio will require a Housing NZ loan to be repaid, and allow the Housing Upgrade Reserve to be closed, with sale proceeds apportioned between the Domain Endowment Reserve (for three properties owned by the Domain Endowment Fund) and the balance of funds to be available to repay debt.

15. The key elements of the Accessible proposal are summarised in the Table 2 below, representing the recommended Option D:

Table 2

Sale Price = \$23,500,000 (= \$20,484,843 Net Present Value)	\$ 23,500,000
<ul style="list-style-type: none"> • 10% due 17 December 2015 = \$2,350,000 (Execution Deposit) • 10% due 7 March 2016 = \$2,350,000 (Settlement Date) • 80% due 7 March 2019 = \$18,800,000 (Final payment – 3 year mortgage) 	
Telfer Young Valuation (Social Housing) \$18,045,000 - \$22,760,000	
Telfer Young Valuation (Open Market) \$30,085,000	
Less Estimated Costs of Sale	(\$250,000)
Less Estimated Repayment Housing New Zealand Loan on Graham Street (Note - does not include allowance for interest costs which if payable could be up to \$300,000)	(\$480,000)
Net Sale Proceeds	\$ 22,770,000
Less sale proceeds to the Domain Endowment Fund	(\$ 2,808,000)
<ul style="list-style-type: none"> • Graham Street = \$1,070,000 • Gibson Street = \$878,000 • Yvonne Street = \$860,000 	
Plus Housing Upgrade Reserve	\$ 3,466,000
Total sale proceeds to repay debt	\$ 23,428,000

Summary of Funds Applied		
Increase in Domain Endowment Fund (Funds available to develop parks and gardens, including buildings)	\$2,808,000	
Debt Repayment	\$23,428,000	
Total Funds Applied		\$26,236,000
Financial Strategy impact from sale:		
<ul style="list-style-type: none"> • Total overall debt @ 30 June 2025 • Debt to revenue @ 30 June 2025 • Balancing the books 2016-2025 		<p>Reduced \$17M (Favourable)</p> <p>Reduced 4% (Favourable)</p> <p>Neutral</p>

Other Information:
Sale price reflects 11% rental increase applied by Council effective from settlement date
Settlement date is 7 March 2016
Renewal and modernisation of existing units within 5 years
Development of 19 additional two-bedroom social housing units with 15 year period
Provision of social housing service for minimum of 10 years <ul style="list-style-type: none"> • Assurance of this service through first ranking encumbrance across title to each property sold • Six monthly reporting to Council for term of encumbrance
Deferred settlement terms <ul style="list-style-type: none"> • 80% final payment due 7 March 2019 • Security <ul style="list-style-type: none"> ○ 1st mortgage registered across all properties sold ○ Financial covenants linked to banking arrangements ○ Quarterly management accounts and annual financial statements

16. There is a strong alternative sale proposal from Accessible Properties if Council does not consider an 11% deferred rental increase acceptable, which is a sale price of \$23 million (Option C). Under this option, any rental increases after settlement date would be a matter for Accessible to implement. Accessible have indicated in their offer documents that they would implement an initial 6% rent increase, 60 days after settlement.

17. Recommendations from Management

That:

- a) The report be received;
- b) Council approves implementation of the deferred 11% rent rise for tenants in the Council's Pensioner Housing units effective from settlement date (7 March 2016), and provides a minimum of 60 days notice of the rent rise in order to comply with the Resident Tenancy Act and the Agreement for Sale and Purchase;
- c) Council sells the Pensioner Housing Portfolio consisting of 344 units physically located throughout the city and legally described in the Schedule to Accessible Properties New Zealand Limited for \$23,500,000 (**TWENTY THREE MILLION FIVE HUNDRED THOUSAND DOLLARS**) plus GST (if any);
- d) Council accepts a deferred payment with 20% of the sale price (\$4,700,000 plus GST if any) on settlement on 7 March 2016 (noting that 10% will be paid within 5 working days of execution of the sale agreement) and the balance of 80% of the sale price (\$18,800,000 plus GST if any) in full cleared funds on 7 March 2019;
- e) Council approves the assignment and sale of the freehold interest in the land described ninth (a) in the Schedule [13 Graham Street] to the lessee for a price of \$1,069,566 (**ONE MILLION SIXTY NINE THOUSAND FIVE HUNDRED AND SIXTY SIX DOLLARS**) including GST (if any) and that the gross sale proceeds be credited to the Domain Endowment Fund Reserve;

- f) Gross proceeds from the sale of the land described eighth in the Schedule [24 Gibson Street] of \$878,000 (EIGHT HUNDRED AND SEVENTY EIGHT THOUSAND DOLLARS) plus GST (if any) be credited to the Domain Endowment Fund Reserve;
- g) Gross proceeds from the sale of the land described seventeenth in the Schedule [30 Yvonne Street] of \$860,000 (EIGHT HUNDRED AND SIXTY THOUSAND DOLLARS) plus GST (if any) be credited to the Domain Endowment Fund Reserve;
- h) The Housing New Zealand Suspensory Loan of \$480,000 (FOUR HUNDRED AND EIGHTY THOUSAND DOLLARS) for development of the property described ninth in the Schedule [Graham Street] be repaid in full to Housing New Zealand plus interest if any;
- i) The Housing Upgrade Reserve be closed and the balance of \$3,466,000 (THREE MILLION FOUR HUNDRED AND SIXTY SIX THOUSAND DOLLARS) be released to repay debt;
- j) The net proceeds from the sale of the Pensioner Housing Portfolio (after the application of sale proceeds to items (e) to (h) above and the estimated sale costs of \$250,000) be used to repay debt.
- k) Council authorizes the Chief Executive Officer to execute (1) an Agreement for Sale and Purchase and (2) any other instruments that are required to give effect to this resolution.

SCHEDULE

First An estate in fee simple comprising all that land contained in (a) Certificate of Title SA966/130 South Auckland Land Registry legally described as Lot 8 Deposited Plan 36309 comprising 2,039 square metres more or less and (b) Certificate of Title SA48D/650 South Auckland Land Registry legally described as Part Lot 9 Deposited Plan 36309 comprising 2,073 square metres more or less and physically located at **169 Bankwood Road**, Hamilton (19 units).

Second An estate in fee simple comprising all that land contained in Certificate of Title SA31A/189 South Auckland Land Registry legally described as Part Lot 1 Deposited Plan 11935 and Lot 2 Deposited Plan 37309 comprising 6,090 square metres more or less and physically located at **187 Clarkin Road**, Hamilton (27 units).

Third An estate in fee simple comprising all that land contained in Certificate of Title 111498 South Auckland Land Registry legally described as Lot 1 Deposited Plan South Auckland 19187 and Lot 2 Deposited Plan 327451 comprising 8,278 square metres more or less and physically located at **52 Comries Road and Chequers Avenue**, Hamilton (36 units).

Fourth An estate in fee simple comprising all that land contained in Certificate of Title SA20B/522 South Auckland Land Registry legally described as Lot 8 Deposited Plan South Auckland 21988 comprising 9,150 square metres more or less and physically located at **16 Crosher Place**, Hamilton (35 units).

Fifth An estate in fee simple comprising all that land contained in (a) Certificate of Title SA21C/692 South Auckland Land Registry legally described as Lot 3 Deposited Plan South Auckland 22716 comprising 2,564 square metres more or less and (b) Certificate of Title SA21C/690 South Auckland Land Registry legally described as Lot 1 Deposited Plan South Auckland 22716 comprising 977 square metres more or less and physically located at **29 Dinsdale Road and 26 Rothwell Street**, Hamilton (18 units).

Sixth An estate in fee simple comprising all that land contained in Certificate of Title SA19D/122 South Auckland Land Registry legally described as Lot 19-20 Deposited Plan South Auckland 19153 comprising 1,593 square metres more or less and physically located at **41 Donny Avenue**, Hamilton (6 units).

Seventh An estate in fee simple comprising all that land contained in (a) Certificate of Title SA37C/465 South Auckland Land Registry legally described as Lot 14 Deposited Plan South Auckland 9571 comprising 710 square metres more or less and (b) Certificate of Title SA37C/466 South Auckland Land Registry legally described as Part Lot 55 Deposited Plan South Auckland 9939 comprising 677 square metres more or less and physically located at **185 Sandwich Road and 20 English Street**, Hamilton (9 units).

Eighth An estate in fee simple comprising all that land contained in Certificate of Title 688446 South Auckland Land Registry legally described as Part Lot 1 Deposited Plan South Auckland 19211 comprising 6,275 square metres more or less and physically located at **24 Gibson Road**, Hamilton (26 units).

Ninth An estate in fee simple comprising all that land contained in (a) Certificate of Title SA6A/1238 South Auckland Land Registry legally described as Lot 2 Deposited Plan South Auckland 9966 comprising 3,407 square metres more or less and (b) Certificate of Title SA6D/1301 South Auckland Land Registry legally described as Lot 1 Deposited Plan South Auckland 9966 comprising 668 square metres more or less and (c) Certificate of Title SA17D/659 South Auckland Land Registry legally described as Lot 1 Deposited Plan South Auckland comprising 969 square metres

more or less and (d) Leasehold Estate – Registered Lease L7289147.2 contained in Identifier 343885 South Auckland Land Registry legally described as Lot 2 Deposited Plan South Auckland 996 comprising 3,407 square metres more or less and physically located at **13 and 19 Graham Street**, Hamilton (40 units).

Tenth An estate in fee simple comprising all that land contained in (a) Certificate of Title SA19C/742 South Auckland Land Registry legally described as Lot 6 Deposited Plan South Auckland 17498 comprising 1,105 square metres more or less and (b) Certificate of Title SA19C/743 South Auckland Land Registry legally described as Lot 7 Deposited Plan South Auckland 17498 comprising 951 square metres more or less and (c) Certificate of Title SA19C/744 South Auckland Land Registry legally described as Lot 8 Deposited Plan South Auckland 17498 comprising 801 square metres more or less and (d) Certificate of Title SA17A/1254 South Auckland Land Registry legally described as Lot 9 Deposited Plan South Auckland 17498 comprising 806 square metres more or less and (e) Certificate of Title SA240/220 South Auckland Land Registry legally described as Lot 10 Deposited Plan 8511 comprising 490 square metres more or less and physically located at **8 Koromiko Road and 222 Killarney Road**, Hamilton (18 units).

Eleventh An estate in fee simple comprising all that land contained in Certificate of Title SA24A/664 South Auckland Land Registry legally described as Lot 1 Deposited Plan South Auckland 21552 and Lot I Deposited Plan South Auckland 24970 comprising 4,844 square metres more or less and physically located at **81 Livingstone Avenue**, Hamilton (34 units).

Twelfth An estate in fee simple comprising all that land contained in Certificate of Title SA46C/760 South Auckland Land Registry legally described as Lot 27 Deposited Plan South Auckland 353 comprising 3,243 square metres more or less and physically located at **46 Matai Street**, Hamilton (12 units).

Thirteenth An estate in fee simple comprising all that land contained in (a) Certificate of Title SA20C/262 South Auckland Land Registry legally described as Lot 1 Deposited Plan South Auckland 9500 comprising 703 square metres more or less and (b) Certificate of Title SA20C/263 South Auckland Land Registry legally described as Lot 2 Deposited Plan South Auckland 9500 comprising 703 square metres more or less and (c) Certificate of Title SA20C/264 South Auckland Land Registry legally described as Lot 3 Deposited Plan South Auckland 9500 comprising 1,069 square metres more or less and physically located at **310 Peachgrove Road**, Hamilton (20 units).

Fourteenth An estate in fee simple comprising all that land contained in Certificate of Title SA7D/727 South Auckland Land Registry legally described as Lot 106 Deposited Plan South Auckland 10747 comprising 1,834 square metres more or less and physically located at **22 Stokes Crescent**, Hamilton (8 units).

Fifteenth An estate in fee simple comprising all that land contained in Certificate of Title 581760 South Auckland Land Registry legally described as Lot 18 Deposited Plan South Auckland 4558 comprising 6,232 square metres more or less and physically located at **1 Sullivan Crescent**, Hamilton (19 units).

Sixteenth An estate in fee simple comprising all that land contained in Certificate of Title 464760 South Auckland Land Registry legally described as Lot 3 Deposited Plan South Auckland 6455 comprising 608 square metres more or less and physically located at **9 Walker Terrace**, Hamilton (4 units).

Seventeenth An estate in fee simple comprising all that land contained in Certificate of Title SA48B/639 South Auckland Land Registry legally described as Lot 12-13 Deposited Plan South Auckland 9589 and Lot 25-26 Deposited Plan South Auckland 8541 comprising 2,775 square metres more or less and physically located at **30 Yvonne Street**, Hamilton (13 units).

18. Attachments

19. Attachment 1 - Request for Expression of Interest - Sale of Hamilton City Council Pensioner Housing
20. Attachment 2 - REOI Evaluation Schedule
21. Attachment 3 - Analysis of Housing Sale or Hold Options
22. Attachment 4 - Telfer Young - Market Valuation and Tender Evaluation
23. Attachment 5 - Stimpson and Co - Independent Reference
24. Attachment 6 - Proposed Mortgage - Summary - Security and Default
25. Attachment 7 - PricewaterhouseCoopers - Letter - Probity Report
26. Attachment 8 - Accessible Properties - Additional Information
27. Attachment 9 - Habitat for Humanity - Additional Information

28. Background

29. The review of the Pensioner Housing service commenced in the 2013/14 year. The decisions and documents are summarised in Table 3 below:

Table 3

DATE	LINK TO ITEM
March 2014	Discussion Paper
27 March 2014	Council Resolution to develop Options Paper
28 August 2014	Options Paper
25 September 2014	Statement of Proposal
12 November 2014	Council hears submissions
27 November 2014	Council decision on Pensioner Housing

30. The process concluded on 27 November 2014 when Council resolved:
- a) *That the report be received.*
 - b) *That Council resolve to sell the pensioner housing portfolio to social housing providers only (reflecting Option 4B in the Statement of Proposal) but only under the following conditions:*
 - i) *That all existing tenants can remain within the pensioner housing portfolio indefinitely providing all current tenancy obligations are met, meaning no existing tenant will be left without a home as a result of any sale.*
 - ii) *That the overall number of social housing units within the pensioner housing portfolio is maintained for 10 years so that there is no decrease in the overall amount of units available for social housing in the city during this period.*
 - c) *That the Chief Executive be delegated to undertake a Request for Expressions of Interest (REOI) process for the sale of Council's pensioner housing with the results of the REOI to be reported back to Council for a final decision on any offers received.*
 - d) *Prior to commencing the REOI sale process, the Chief Executive approve the criteria and framework for evaluating all social housing providers who participate in the REOI, including non-accredited social housing providers.*
 - e) *That the REOI sale process will be for a period of 6 months commencing 23 February 2015.*
 - f) *That any pensioner housing properties that remain unsold at the end of the REOI process be reported back to Council for further direction.*

31. Request for Expressions of Interest

32. Council staff prepared a Request for Expressions of Interest document ([Attachment 1](#)). Section 5 of the REOI document detailed the level of information required. Council's information requirements reflected the Options Paper and decisions taken to date, and were largely modelled on the Ministry of Business, Innovation and Employment Community Housing Regulatory Authority's Performance Standards and Guidelines and form the criteria against which proposals are evaluated and assessed.
33. The initial assessment criteria contained in the REOI document did not include scores, points or weighting. This was a deliberate decision because it was anticipated that there would be

significant variation between potential purchase offers - and each of those offers could contain multiple variables. The assessment criteria points and weighting was finalised prior to evaluation of the purchase offers.

34. On 12 February 2015 the Chief Executive approved the criteria and framework for evaluating all social housing providers who participate in the REOI.
35. The period for submission of expressions of interest opened on Monday 23 February 2014 and closed on Monday 24 August 2014.
36. The REOI was advertised nationally in major publications and on digital platforms. In addition 59 social housing providers were contacted directly by letter. In response 23 parties registered their interest in the process and were provided with full REOI documentation.
37. Council received five expressions of interest summarised in Table 4 below:

Table 4

Purchaser	Accredited?	Property	Conforming to Assessment Criteria?
Accessible Properties New Zealand Limited	Accredited	17 (Entire Portfolio)	Conforming
Activate Foundation Trust	Non-Accredited (Pending)	1 (Sullivan Crescent)	Partially Conforming
Habitat for Humanity Central North Island	Accredited	17 (Entire Portfolio)	Conforming
JAST Pure NZ Limited	Non-Accredited	7 (Bankwood Road, Clarkin Road, Crosher Place, Livingstone Avenue, Stokes Crescent, Sullivan Crescent)	Non-Conforming
N M Deshpande	Non-Accredited	6 (Crosher Place Donny Avenue, Sandwich Road, Matai Street, Stokes Crescent, Walker Terrace)	Non-Conforming

38. Evaluation Process

39. A Project Evaluation Team (PET) was established to manage the sale process. The PET consists of the Executive Director Special Projects, Chief Financial Officer, Strategic Property Unit Manager, Property Management Unit Manager and Community Development and Leisure Manager.
40. The PET was supported internally by subject matter experts (Property, Pensioner Housing, Risk and Finance) and externally by Council's specialist consultants (Telfer Young – Valuation; Tompkins Wake – Legal; Stimpson and Co. – Social Services Sector; PwC – Audit, Probity).
41. The evaluation process has been subject to a probity review by PricewaterhouseCoopers (PwC). PwC have provided an independent view of the probity of the process to select a preferred purchaser by assessing:
 - The REOI process for consistency with the Office of the Auditor-General's Guidelines, MBIE Government Rules of Sourcing, Council's disposal policies and procedures and best practice;
 - That a fair, open and transparent process is followed, so that no parties are unfairly treated and the process is conducted with integrity;

- That probity risks are identified and mitigating actions recommended.

42. PwC's assessment of the REOI process against accepted good practice expectations for disposal by New Zealand Government entities has identified no exceptions. The PwC letter is included as [Attachment 7](#).

43. Evaluation

44. Initial evaluation of the five expressions of interest resulted in two offers meriting further detailed analysis and evaluation. Accessible and Habitat advanced as preferred purchasers because:

- Accessible Properties New Zealand Limited. The offer was for the entire portfolio. The proposal was comprehensive and fully met all of the conditions of the REOI.
- Habitat for Humanity Central North Island. The offer was for the entire portfolio. The proposal was comprehensive and fully met all of the conditions of the REOI.

45. The remaining three proposals were eliminated from further consideration primarily on the following basis:

- JAST Pure NZ Limited. The offer was for seven properties. The proposal did not contain any information about provision and enhancement of service to the social housing sector and did not conform to the requirements of the REOI.
- N M Deshpande. The offer was for six properties. The proposal contained limited information about provision and enhancement of service to the social housing sector and did not conform to the requirements of the REOI.
- Activate Foundation Trust. The offer was for a single property with a deferred settlement. Sale of the portfolio as a whole provides greater benefit to Council so partial sale proposals were not considered further. Activate received a low score when evaluated reflecting their relative scale and experience in the social housing sector, and was eliminated from further evaluation.

46. Copies of the proposals from the three parties eliminated from further evaluation are not included in the report to Council, but are available on request by Elected Members.

47. Summary of Accessible's Proposal

48. Accessible's expression of interest documents are included as [Attachments 1 and 2](#) in a separate report in the confidential section of the agenda.

49. Accessible's organizational summary and description of current activity in Hamilton is included as [Attachment 8](#).

50. The substantive offer is summarised below. Accessible propose to:

- Purchase all the properties available (344 units).
- Provide indefinite ongoing use of the portfolio for social housing.
- Retain existing tenants in their current units for the desired duration of their continuous occupancy.
- Retain market rental discounts for existing tenants and any subsequent tenant placements that are not eligible for IRRS.
- Progressively phase-in IRRS-funded tenants at an average rate of 7.5% of all tenancies per year.

- Limit rentals for existing and newly-placed tenants to lower quartile market rental level and set a lower level rental that is an affordable amount after reasonable living costs are deducted from superannuation income. This assessment is reviewed annually and rentals adjusted. After initial rental adjustment Accessible Properties will limit the annual rate of increase of rental to no more than 2% above CPI adjustment to ensure tenants can easily adapt to changed commitments.
 - Provide tenant-focussed services that are closely linked to wider social support services.
 - New tenants will be selected to be compatible with existing elderly tenants.
 - Undertake the progressive renewal and modernisation of existing units within five years. Improvements will include bathroom ventilation, compliant, functional and safe electrical outlets, more car parking, storage and charging for mobility scooters and powered wheelchairs, communal gathering areas (e.g. barbeque court).
51. Development
52. Accessible proposes to develop 19 or 20 additional two-bedroom social housing units within fifteen years (depending upon the sale price option accepted). Accessible Properties propose to develop new social housing in Hamilton as rental income builds with higher-level IRRS funding, and surpluses are able to cover debt for new acquisitions.
53. Accessible intend to focus on two-bedroom units as the Ministry of Social Development Purchasing Document indicated that current Council housing will cover needs for one-bedroom tenancies but there remains considerable demand for two-bedroom configurations.
54. Accessible Properties propose that development will initially occur on the remainder of the Sullivan Crescent site and then continue on newly-acquired sites elsewhere in Hamilton.
55. Alignment with Housing for Older Persons Options Paper
56. The Options Paper describes the issues associated with provision of Council's Pensioner Housing activity and presents options to respond to those issues. The Social Housing Working Group prepared the Options Paper to:
- Test various options relating to ownership and service provision
 - Provide the basis for discussion with social housing providers
 - Help the Council in decision making
57. The Options Paper sets out eight issues impacting on the Council's housing for older persons activity and ownership. Accessible's proposal addresses all eight issues and their response is summarised below:
- Government Reforms. Accessible (1) is a Registered Community Housing Provider (Class 1 Social Landlord) (2) has an Outcomes Agreement with the Ministry of Social Development and (3) has placed the largest number of IRRS tenants of any NGO provider.
 - Wrap-around Services. Accessible has (1) particular expertise in provision of housing for people with disabilities and/or mobility difficulties (2) close partnerships with social support organisations (3) intends to provide community recreation activities and communal gatherings
 - Role of the Third Sector. Accessible operates nationally and manages New Zealand's largest non-government social housing portfolio. Accessible provide (1) social housing services (2) tenancy management (3) asset management (4) housing development and (5) rental and lease administration. Accessible are eligible to access the full range of Government capital and operational funding.

- Maintaining or Increasing Social Housing Available in Hamilton. Accessible intends to (1) maintain and upgrade the existing number of social housing units in the Council Pensioner Housing Portfolio and (2) add an additional 19 new two-bedroom units within 15 years as a minimum.
- Expanding Housing for Older Persons to Others. Accessible provide social housing at an affordable rental by households with a wide range of social support needs. Tenants are referred by the MSD and other social support agencies and are housed on a needs-based rating system. Tenants represent a wide cross-section of social needs and demographics. Accessible anticipate the age demographics in the properties if they purchase the Housing Portfolio from Council in ten years from now will be:
 - 60% people over 65 years
 - 25% people between 55 and 65 years
 - 15% people under 54 years
- Aging Stock and Design of Stock. Accessible intend to undertake (1) progressive renewal of the portfolio assets to the full extent previously deemed necessary by Council (\$7.2 million over 10 years) and (2) improve the standard of the portfolio beyond the extent previously deemed desirable by Council (\$1.7 million).
- Location. Detailed above.
- Financial Considerations. Accessible has the financial capacity to sustain and enhance the provision of social housing in Hamilton. Accessible has access to significant national resources and is eligible to access the full range of funding (government and private sector) available across the social housing sector.

58. Independent Organisational Overview

59. An independent organizational overview, including experience and track record, governance and management is contained in the Stimpson and Company report in Attachment 5.

60. Summary of Habitat's Proposal

61. Habitat's expression of interest documents are included as Attachments 3, 4 and 5 in a separate report in the confidential section of the agenda.
62. Habitat's description of current activity in Hamilton is included as Attachment 9.
63. The substantive offer is summarised below. Habitat propose to:
- Purchase all the properties available (344 units).
 - Provide indefinite ongoing use of the portfolio for social housing.
 - Retain existing tenants in their current units for the desired duration of their continuous occupancy.
 - Retain market rental discounts for existing tenants and any subsequent tenant placements that are not eligible for IRRS.
 - Progressively phase-in IRRS-funded tenants at an average rate of 6% of all tenancies per year.
 - Limit rentals for existing tenants to lower quartile market rental level and set a lower level rental that is an affordable amount after reasonable living costs are deducted from superannuation income. Habitat will limit the annual rate of increase of rental to CPI adjustment to ensure tenants can easily adapt to changed commitments.

- Rentals for newly-placed tenants will be determined by the referral source. For tenants referred from the Ministry of Social Development (MSD) rent will be set by the MSD in accordance with IRRS contract in place. This subsidy is not available to existing tenants. Rent for tenant referrals outside the MSD process will be based on current base rental figure and adjusted in accordance with an assessment of personal circumstances.
64. Development
65. Habitat state that in order to keep bid costs to a minimum, scoping of development work has been conceptual only. A full works programme is to be developed as part of the transition process if Habitat is the successful purchaser.
66. Habitat has identified development opportunities in two core areas:
- Development of existing properties by addressing deferred maintenance based on the figures provided by Council. This area of work includes reroofing and exterior maintenance, internal renovations and improvements to parking, carports, and mobility scooter storage. It is anticipated that Habitat's volunteer workforce would be engaged to carry out as much of this work as possible.
 - Redevelopment on existing sites specifically Crosher Place, Gibson Road, Koromiko Street and Sullivan Crescent.
67. Habitat's budgeted cashflow allows for a surplus to be generated from 2019 so any major development would be contingent on this surplus and alignment with Habitat's core operating budget.
68. Alignment with Housing for Older Persons Options Paper
69. Habitat's proposal addresses all eight issues detailed in the Options Paper - their response is summarised below:
- Government Reforms. Habitat is a Registered Community Housing Provider (Class 1 Social Landlord).
 - Wrap-around Services. Habitat has (1) particular expertise in provision of low cost affordable social housing (2) close partnerships with social support organisations (3) intends to provide facilitated group outings, education programmes, delivered meal services and direct support for the social wellbeing of the tenants
 - Role of the Third Sector. Habitat is an international organisation – each branch operates largely independently within their region. Habitat provide (1) social housing services (2) tenancy management (3) asset management (4) assisted home ownership (5) housing development and (5) property maintenance and upgrade. Habitat are eligible to access the full range of Government capital and operational funding.
 - Maintaining or Increasing Social Housing Available in Hamilton. Habitat intends to (1) maintain and upgrade the existing number of social housing units in the Council Pensioner Housing Portfolio and (2) consider development detailed in the section above.
 - Expanding Housing for Older Persons to Others. Habitat provide social housing at an affordable rental for elderly people and assisted home ownership programmes. Habitat intend to adopt Council's housing policy, eligibility criteria and selection and allocation process. Habitat intend to review their criteria to align with MSD social housing criteria after ten years.
 - Aging Stock and Design of Stock. Habitat intend to develop the portfolio as detailed above.
 - Location. Detailed above.

- Financial Considerations. Habitat has the financial capacity to sustain and enhance the provision of social housing in Hamilton. Habitat is eligible to access the full range of funding (government and private sector) available across the social housing sector.

70. Independent Organisational Overview

71. An independent organizational overview, including experience and track record, governance and management is contained in the Stimpson and Company report in Attachment 5.

72. Price Evaluation

73. Following evaluation of the non-financial attributes, the PET reviewed initial price offers and conditions of sale. These showed a variety of assumptions and resulted in a low level of comparability – particularly in terms of the price (and the basis on which a deferred payment option was submitted).
74. Accessible and Habitat both submitted deferred payment options providing an increase in sale price reflecting projected rental growth over time (thereby allowing Council to increase the sale price and benefit from up-side income growth).
75. The initial financial offers were interrogated, to understand how the prices were set. In order to ensure that the offers were evaluated fairly, and consequently, to assist identifying a single preferred purchaser as well as have offer terms that would be financially acceptable, Accessible and Habitat were invited to submit and confirm their best possible price for each of the following four options, which differed from their initial proposals:
76. **OPTION A** (Base “status quo” price)
- Current rental with no Council-imposed rent increase prior to settlement
 - No deferred payment or settlement
 - Any rent increase will be at the purchaser’s discretion
77. **OPTION B** (Council-imposed 11% rent increase)
- 11% rental increase imposed by Council and effective from settlement date
 - No deferred payment or settlement
 - Any rent increase will be at the purchaser’s discretion
78. **OPTION C** (Deferred Settlement – No Rental Increase)
- Current rental with no Council-imposed rent increase prior to settlement
 - Any rent increase will be at the purchaser’s discretion
 - Minimum 20% deposit payable 7 March 2016
 - Three year maximum term of deferment (7 March 2019)
 - Council takes a first mortgage
79. **OPTION D** (Deferred Settlement – 11% Rental Increase)
- 11% rental increase imposed by Council and effective from settlement date
 - Minimum 20% deposit payable 7 March 2016
 - Three year maximum term of deferment (7 March 2019)
 - Council takes a first mortgage
80. The preferred purchasers were also asked to comment on if, and how, they applied Income Related Rental Subsidy (IRRS) rental increases in determining the price – and the impact that had on the offer.

81. The final offers received from the two preferred purchasers are summarised in Table 5 below:

Table 5

OPTION	DESCRIPTION	ACCESSIBLE (\$)	HABITAT (\$)	CURRENT MARKET VALUE (\$)
A	Immediate settlement No Council-imposed rent rise	16,000,000	14,525,500	15,500,000 – 18,350,000
B	Immediate settlement 11% Council-imposed rent rise	17,500,000	17,047,913	18,045,000 – 22,760,000
C	Deferred Settlement No Council-imposed rent rise	23,000,000 (= 20,048,955 NPV)	Did Not Offer	15,500,000 - 18,350,000
D	Deferred settlement 11% Council-imposed rent rise	23,500,000 (= 20,484,843 NPV)	Did Not Offer	18,045,000 - 22,760,000

82. Staff contacted Habitat for Humanity directly to confirm their intentions regarding the deferred settlement options. Habitat provided an initial deferred settlement proposal which was analysed and not accepted by staff on the basis that the payment terms were significantly more protracted than considered necessary. The deferred settlement proposal required 12 to 15 years funding from Council (either by way of approximately \$3m interest free loan or Council continued ownership of approximately 15% of the portfolio) to increase their purchase price offered by approximately \$3.5m above that listed in Table 5. The initial proposal indicated at the end of the 12 to 15 years that the repayment mechanism for the deferred settlement portion would then need to be determined, meaning an extended period of deferred payment.
83. Habitat were invited to submit proposals for Options C and D but confirmed that they had not submitted revised prices for a deferred settlement because the financial parameters set did not work for them. Habitat only submitted on Options A and B.
84. The evaluation process confirmed that a deferred settlement with a Council-imposed 11% rent increase (Option D) maximises the sale price in terms of both absolute value and net present value.

85. Recommended Option

86. The evaluation criteria and scoring of the non-financial attributes is summarised in Table 6 below. No specific weighting was given to local entities as this was instead incorporated into a number of the individual category assessments. [Attachment 2](#) shows the full scoring.

Table 6

ASSESSMENT CATEGORY	POINTS	ACCESSIBLE	HABITAT
Organisation	20	16.8	17.0
Governance and Management	40	32.6	31.8
Financial Viability	30	21.8	24.4
Current Activities	30	23.2	19.8
Tenancy Management	25	20.2	17.4
Property and Asset Management	15	11.2	11.2
Proposal	40	30.4	27.0
Total Points – Non Financial (Raw)	200	156.2	148.6
Total Points – Non Financial (Normalised)	200	200	190
Points – Price – Option A		156	142
Points – Price – Option B		171	166
Points - Price – Option C		196	0
Points – Price – Option D		200	0
Total Points – Price (Best Offer)	200	200	166
TOTAL POINTS (Best Offer Normalised)	400	400	356

87. The evaluation process has confirmed Accessible Properties New Zealand Limited is the preferred purchaser of the Hamilton City Council Pensioner Housing Portfolio under all options.
88. The Habitat for Humanity Central North Island purchase proposal must be acknowledged as a comprehensive and strong proposal which was very similar to that of Accessible Properties. Ultimately however, Accessible Properties scored highest for both non-financial and financial attributes of their proposal and is recommended as the preferred purchaser.
89. The rationale for selecting Accessible as the preferred purchaser is due to:
- Scoring of non priced attributes against the detailed evaluated criteria. Whilst there is an element of individual judgment in the evaluation process, scoring of each attribute by the five panel members has been remarkably consistent, with the same overall conclusion reached in both the first and second round of evaluation. The evaluation process clearly considered how each organisation responded to the issues outlined in the Housing for Older Persons Options Paper and the detailed REOI assessment criteria. Both organisations provided a very strong social housing service proposition. The reason Accessible scored slightly higher than Habitat reflects a well resourced and governed national organisation with significant and proven experience in social housing provision on a large scale, compared with a regional organisation with a strong governance model

operating with fewer resources, with a generally more limited range, scale and scope of experience in social housing provision.

- The rigour of the process followed. PWC have provided assurance that the evaluation process was fair, comprehensive and rigorous, which provides comfort that the recommendation made by staff is appropriate.
 - An independent report by Stimpson and Co which was received after the evaluation process was completed and a staff recommendation identified. This report provides independent information which was part of a due diligence process and supports the conclusion of the project evaluation team that Accessible be the preferred purchaser.
 - The price offered under all options was higher from Accessible compared to Habitat.
90. In accordance with the result of the evaluation process it is recommended that Council accepts Accessible Properties' offer of \$23,500,000 plus GST (if any) on the basis of a Council-implemented 11% rent increase and a deferred settlement of three years (Option D).
91. Council-imposed 11% Rent Increase
92. Council sets rental income for its social housing based on an assessment of rental prices of other similar properties and recovery of the cost of providing the service. During the 2015-25 Long Term Plan deliberations Council approved implementation of an 11% increase in the existing rentals. Subsequently Council resolved deferring implementation of the 11% rental increase pending the outcome of the process to sell the Pensioner Housing Portfolio – the rental increase was budgeted in the 2015-25 Long Term Plan, with the short term reduction in revenue met with corresponding short term cost savings.
93. Council staff analysed the affordability impact of an 11% rent rise on existing tenants. Increase in the rent may be offset by an increase in the accommodation supplement paid by the Government to low income tenants in rental accommodation subject to eligibility criteria. An 11% increase in the rent would result in a smaller percentage increase in actual rental paid by these tenants qualifying for increased government assistance.
94. The recommended sale price (Option D) has been proposed on the basis that Council will implement the 11% deferred rental increase from settlement date. Implementation of the 11% deferred rental increase from settlement date will increase the sale price when combined with the deferred settlement by \$500,000 (to a sale price of \$23,500,000). If Council chose not to implement the 11% rental increase, the sale price with a deferred settlement in Option C applies (\$23,000,000).
95. The impact of implementation of the deferred 11% rent increase on the sale price and on Council's financial position is detailed in Attachment 3.
96. Accessible has indicated that they accept an initial 11% rental increase is affordable for tenants. If Council does not implement the deferred 11% rental increase from settlement date and the current rentals remain in place Accessible advise that upon settlement they will give 60 days notice to all tenants for a 6% increase – a level of increase which they have "assessed as being easily able to be adjusted to".
97. It should be noted that if Council did not sell the Pensioner Housing portfolio, staff would recommend immediate implementation of the 11% deferred rental increase to ensure the full cost of provision of service is recovered, and the budgets in the 2015-25 Long Term plan can be achieved.

98. Deferred Settlement
99. Council's financial modelling showed potential for a significant increase in the sale price offered when combined with a deferred payment option.
100. In accepting a deferred settlement Council is able to gain some of the benefit to the purchaser of rental growth over time, in particular the market rental increase to Accessible from the government IRRS subsidy. This is reflected in the greater sale price offered. Accessible have confirmed that any risk on achieving an increase in IRRS subsidy remains with Accessible, not Council, and the sale price offered is not contingent on achieving this increased IRRS subsidised rent.
101. The impact of a deferred settlement on the sale price and on Council's financial position is detailed in Attachment 3.
102. Current Market Valuation
103. Telfer Young (Waikato) Limited have been engaged to provide market valuations for the Pensioner Housing Portfolio. The market valuation summary is Attachment 4.
104. The recommended price of \$23,500,000 (subject to 80% being deferred three years) has a net present value of \$20,484,843 which falls within Telfer Young's comparable market valuation range of between \$18,045,000 and \$22,760,000.
105. Telfer Young conclude that the sale of the portfolio as a whole is the best option as a consequence of the requirement for the purchaser, under the terms of sale, to continue to provide social housing for at least ten years. The benefits of sale of the portfolio as a whole are fully detailed in the Telfer Young report attached, but include:
- The transaction is complete on settlement.
 - Not all properties will have the same demand and the potential for "cherry picking" is real – leaving administration of the residual, less desirable properties until they are sold.
 - The period to sell down all of the portfolio is uncertain.
 - The cost of administering and managing the units has a finite date both in terms of staff resource and capital expenditure.
106. Telfer Young advise that based on consideration of the market value of the portfolio as a whole (under various valuation models) accepting a deferred settlement allows Council a greater share of the value premium anticipated from rental growth potential from the purchaser (due to the IRRS subsidy).
107. Rating Value
108. The Rating Capital Value (RCV) of the Pensioner Housing Portfolio was \$26,620,000 based on the 2012 assessment. On 25 November 2015 the Rating Capital Value of the portfolio was increased by \$4,805,000 (up 18%) to \$31,425,000.
109. The Rating Capital Value is based on "best and highest use" in accordance with the Rating Valuation Act 1998. The RCV does not take account of limitations on the use of the properties imposed by council (i.e. use for social housing) which effectively reduce the value of the property.
110. Telfer Young have assessed the full market value of the portfolio at \$30,085,000 (a 4.4% variance from RCV). This highest possible value represents the value of the portfolio on the basis of it currently being at a full market rental with no encumbrances on rent, limitations on occupancy or constraints on development. The small difference in RCV and Telfer Young's assessment is also due to Telfer Young taking into account sale costs and discounts if the portfolio were sold as a whole (this would not be factored in to the RCV).

111. The sale price of \$23.5 million represents a discount of 22% (\$6,585,000) on full market value of \$30.085 million.

112. Accounting Value

113. In accordance with current accounting standards the Pensioner Housing Portfolio is classified as land and buildings and is valued for accounting purposes (“book value”) at \$27,547,000 (as at 30 September 2015). This includes revaluation gains totaling \$10,336,000 that are held in a revaluation reserve. Revaluations are provided by an independent valuer as part of the regular cycle of valuation of Council-owned assets. The accounting value is based on a highest and best use of the land and does not reflect the reduction in real value resulting from encumbrances on rent, limitations on occupancy or constraints on development.

114. Security

115. The recommended deferred payment option secures Council’s position as vendor and lender through a first mortgage registered against all of the properties sold, a regular monitoring regime and compliance with special covenants relating to Accessible Properties’ ongoing financial position. This is detailed in the risk section below.

116. Other options

117. Council may choose to accept either an immediate settlement or a deferred settlement with or without implementation of the deferred 11% rental increase. These options are shown in Table 5 and more fully detailed in Attachment 3.

118. While staff have recommended the sale option that maximises sale price there is some merit in considering Option C – deferred settlement without implementation of the 11% deferred rental increase. Under this option, any rental increases after settlement date would be a matter for Accessible to implement. Accessible have indicated in their offer documents that they would implement an initial 6% rent increase, 60 days after settlement.

119. This option reduces the sale price paid by \$500,000 (\$435,848 net present value) but has only marginal impact of Council’s Financial Key Performance Indicators shown on Attachment 3.

120. Independent Assessment of Accessible and Habitat Proposals

121. Council staff engaged Stimpson and Company to provide an independent and objective overview on the preferred purchasers – specifically to advise if they have the capacity to continue to operate and enhance the social housing service in accordance with Council’s publicly stated intentions. Stimpson and Company have made very clear disclosures of their independence and relationships with both parties.

122. Stimpson and Company are commercial advisors to the public and community sectors with expertise in the social housing environment. Stimpson and Company were not part of the evaluation process and their report was received after the evaluation was completed.

123. Stimpson and Company’s reference assesses the attributes and competencies of both preferred purchasers to meet Council’s sale requirements and objectives. Stimpson and Company’s full report is Attachment 5.

124. Accessible Properties

125. Stimpson and Company advises that Accessible is well placed to assume ownership of Council’s portfolio, it has a proven track record in asset ownership, tenancy management, procurement and development delivery.

126. Accessible Properties offers a solution with good prospects of delivering a quality outcome for Council's tenants. They have an ability to deliver a wider range of housing outcomes to meet Council's objective of enhanced delivery.
127. Stimpson and Company believe from their experience in working within the sector, Accessible Properties would provide Council with a low risk and sustainable option for the divestment of Council's pensioner housing portfolio.
128. In conclusion Stimpson and Company advises that Accessible provides extensive infrastructure, track record and the required competencies to deliver long term sustainable housing to meet the current and future social housing needs of the Hamilton Community.
129. Habitat for Humanity
130. Habitat offers Council a "grass roots" approach to meeting housing needs and it sources a lot of its support, expertise and funding very successfully from the community. They are able to mobilise these resources to undertake projects to meet community needs through numerous initiatives such as assisted homeownership, housing repair programmes and second hand stores.
131. Habitat has a strong and well connected governance structure that is well supported by corporate and volunteer sponsorship and focused on providing assisted homeownership outcomes.
132. Habitat has recently partnered to purchase and deliver rental housing from a small ex-Council complex (Johnson Street).
133. The scale of this sale would represent a significant increase in the size of Habitat's portfolio. This may challenge the organisation as the size, age and complexity of the portfolio will require greater infrastructure, resources and experience.
134. The reliance on volunteers for upgrade programmes could compromise the quality of rental properties. It may be appropriate in a single project but may not be suitable for the robust asset management of a large housing portfolio.
135. In conclusion Stimpson and Company advises that while Habitat has considerable community strength through its volunteer and sponsorship support it does not have the track record or the required attributes to take on the management of a large portfolio without risking the need for ongoing support from Council or others.

136. Implementation considerations

137. Ownership of the entire portfolio will transfer from Council to the purchaser at settlement of the purchase on Monday 7 March 2016.
138. It will be particularly important to communicate well with existing tenants during the transition of ownership. Council staff will work closely with the purchaser to refine the transition plan and ensure that the transition is as smooth as possible for all parties.
139. It is likely that existing tenants will be anxious about change, so communications will focus early on providing certainty about what will happen and on supplying assurance that the service provided by the purchaser will be at least as good as present. This will be done as early as practicable.
140. The purchaser will work to ensure that their new tenancy managers give first priority to visiting all the tenants. Existing tenants will receive the purchaser's Tenant Guide and current newsletter, be given contact details for their tenancy manager, familiarized with the web site, and provided with the 0800 after-hours contact number for emergencies.

141. Accessible's indicative implementation and transition plan is included in Attachment 8 and is summarised below:
- Intend to establish a Hamilton office prior to settlement date.
 - Two new full-time staff to be recruited with a third when IRRS placements begin.
 - Accessible would consider employing existing Council staff and contractors.
 - A draft transition plan with indicative timeline covering staffing, office requirements, contractors, records and systems, rental and bonds, and communications has been prepared.
142. Habitat's indicative implementation and transition plan is included in Attachment 9 and is summarised below:
- Three new staff to be recruited.
 - Habitat is willing to recruit appropriate Council staff as required.
 - A draft transition plan covering information transfer, financial arrangements, bonds, tenancy data, maintenance and communications has been prepared.

143. Financial Implications

144. The disbursement of sale proceeds including the net amounts available for repayment of debt are summarised on Attachment 3.

145. Disbursement of Sale Proceeds

146. Table 7 below summarises the sale proceeds and the use of those funds.

Table 7

	Option D
	Best price and rental increased 11% by HCC
Sale price	23,500,000
<i>less</i> Costs of sale (estimate)	(250,000)
<i>less</i> HNZC loan repayment (Graham St)	(480,000)
Net proceeds from sale	22,770,000
Funds available from the Housing Upgrade Reserve	3,466,000
Total funds available	26,236,000
Cashflow	
At settlement date	7,436,000
1 Year	0
2 Years	0
3 Years	18,800,000
Total	26,236,000
Funds available to be applied to:	
<i>At settlement date</i>	
Domain Endowment Reserve - Graham Street	214,000
- Gibson Road	175,600
- Yvonne Street	172,000
Debt repayment	6,874,400
<i>3 Years time</i>	
Domain Endowment Reserve - Graham Street	856,000
- Gibson Road	702,400
- Yvonne Street	688,000
Debt repayment	16,553,600
Total funds applied	26,236,000
Net present value (sale price for accounting purposes)	20,484,843
Net book value @ 30 September 2015 of housing portfolio is \$27,547,000.	
Estimated loss on sale (for accounting purposes)	(7,312,157)

147. Costs of Sale

148. The Housing for Older Persons Review report to Council on 27 November 2014 estimated a budget of \$500,000 would be required to cover all external costs associated with the sale of

the Pensioner Housing Portfolio. These costs do not include staff costs. To date the external costs of sale have totaled \$146,743 as follows:

Advertising	\$30,192
Valuation	\$29,200
Legal	\$44,434
Consultants	\$42,917
	\$146,743

- 149. We anticipate some additional costs to execute this agreement (including legal, consultants, staffing) to ensure a good transition to the purchaser assuming the sale is approved, but the final costs will be less than \$250,000.
- 150. Domain Endowment Properties
- 151. Council currently leases the land under the 13 Graham Street complex from the Domain Endowment Fund. The lease has a 21 year term expiring on 31 January 2028 with perpetual rights of renewal. The land has a current market value of \$1,069,566. When the sale of the complex at 13 Graham Street settles the portion of the sale proceeds pertaining to freeholding the site will revert to the Domain Endowment Fund in accordance with Council’s Free-holding of Endowment Land Policy.
- 152. Council originally funded the purchase of the land for the Gibson Street complex from the Domain Endowment Fund. The land has a current market value of \$878,000. When the sale of the complex at Gibson Street settles the portion of the sale proceeds pertaining to the land will revert to the Domain Endowment Fund.
- 153. Council originally funded the purchase of the land for the Yvonne Street complex from the Domain Endowment Fund. The land has a current market value of \$860,000. When the sale of the complex at Yvonne Street settles the portion of the sale proceeds pertaining to the land will revert to the Domain Endowment Fund.
- 154. The three properties being freeholded as part of the sale process summarised in Table 8 below:

Table 8

Property	Sale Price
Graham Street	\$1,069,566
Gibson Road	\$878,000
Yvonne Street	\$860,000
Total credited to Domain Endowment Fund	\$2,807,566

- 155. Upon settlement of the sale of the Pensioner Housing Portfolio the Domain Endowment Fund will be credited with \$2,808,000 as detailed above. The income from Domain Endowment Fund Reserve can be deployed to offset expenditure incurred in the operation and maintenance of parks and gardens. The capital from the Domain Endowment Fund can be deployed to purchase and develop parks and gardens, including buildings (such as The Verandah Café). Land purchased or developed by the Domain Endowment Fund must be classified in accordance with the Reserves Act 1977.

156. Housing New Zealand Loan

157. A Housing New Zealand (HNZ) suspensory loan of \$480,000 was taken out in 2006 for 20 years against 13 Graham Street to upgrade the complex. It is interest free for a 20 year period, thereafter Housing New Zealand has the first opportunity to purchase the property (at current market rate) if the Council decides to sell. Housing New Zealand has previously indicated that it has little interest in purchasing existing complexes (focusing instead on new builds) and no interest in purchasing the 13 Graham Street complex.

158. If Council sells the complex prior to termination of the 20 year period, either on the open market or to a sympathetic provider, the loan will need to be repaid. It is not clear whether interest will be required to be paid upon repayment of the HNZ loan. Written correspondence with HNZ indicates interest will not be sought or payable, however a definitive answer will not be obtained until the loan is actually repaid.

159. Council's position is that interest is not payable despite selling the property within 20 years of receiving the loan because the property will continue to be used for a social housing purpose entirely consistent with the purpose of the loan for a further minimum ten years (coinciding with the termination of the term of the loan). Estimated interest costs, if payable, may be up to \$300,000

160. Housing Upgrade Reserve

161. Council maintains a Housing Upgrade Reserve, which was established in 2012 with proceeds from the sale of three pensioner housing complexes. This cash reserve is for renewals expenditure. The current balance is \$3,466,000 with interest allocated annually at approximately 5%. The reserve will no longer be required once the Pensioner Housing Portfolio is sold. It is recommended that upon settlement of the sale the Housing Upgrade Reserve be closed and the entire balance used to repay debt.

162. Other Financial

163. There are no staff redundancy or related costs associated with the sale of the portfolio as all impacted staff are currently on fixed-term contract or will be redeployed elsewhere in the business.

164. It is recommended that upon settlement of the sale of the Pensioner Housing Portfolio the net proceeds be used to repay debt. The disbursement of sale proceeds and the funds available for repayment of debt are detailed on Attachment 3.

165. Sale of the Pensioner Housing Portfolio as recommended will result in an accounting loss on sale of approximately \$7.3m. This is reduced to \$4m once interest on the deferred settlement portion is accounted for over the three year term. This represents the difference between the value at which the portfolio is recorded in Council's financial accounts and the value able to be realized given the encumbrances on rent, limitations on occupancy and constraints on development.

166. Financial Key Performance Indicators (Financial Strategy)

167. The effect of the sale on the Council’s Financial Key Performance Indicators is modelled on Attachment 3. That information is summarised in Table 9 below:

Table 9

	Immediate Settlement		Deferred Settlement	
	No rental increase by HCC	Rental increased 11% by HCC	No rental increase by HCC	Rental increased 11% by HCC
Valuation	\$15.5m	\$18.0m	\$18.0m - \$22.8m	
Best offer	\$16.0m	\$17.5m	\$23.0m	\$23.5m
Net Present Value of offer	\$16.0m	\$17.5m	\$20.0m	\$20.5m
Effect on financial KPI's:				
- Total overall debt @ 30 June 2025	Reduced \$9m	Reduced \$12m	Reduced \$17m	Reduced \$17m
- Debt to revenue @ 30 June 2025	Reduced 1%	Reduced 2%	Reduced 4%	Reduced 4%
- Balancing the books 2016 to 2025	Neutral	Neutral	Neutral	Neutral

Option A
Option B
Option C
↑ Option D ↑
Recommended

168. There is clearly significant financial benefit from accepting a deferred payment option.

169. Council’s Social Housing Portfolio and Sale Requirements

170. The portfolio will be divested with a number of stipulations of sale to ensure social housing is protected for a minimum of ten years:

- The successful purchaser is to not only operate a sustainable housing portfolio but to enhance provision through a redevelopment, and upgrading programme, and;
- Provide wrap around support services to enable tenants to sustain their tenancies.
- The sale price will reflect the sale to a social housing provider and the special conditions of sale.

171. There is no requirement for future vacancies to be allocated only to pensioners – they will be available to the wider group of social housing applicants, but there is an expectation that the wider housing need in the community will be met through better targeting and opportunities to grow the portfolio.

172. Encumbrance

173. Council will register a first ranking encumbrance against the title to each of the properties sold. The encumbrance has been drafted by Tompkins Wake Lawyers.

174. The encumbrance, which will take priority over any mortgage, will require the purchaser, in respect of each of the properties sold:

- To continue to utilise the property for the provision of Social Housing. Social housing is defined to mean the provision of housing for persons of 60 years of age or older, or who is younger but receives not less than 75% of his or her income from a permanent New

Zealand overseas benefit. Applicants are asset and income tested and qualify only if their assets and income do not exceed relatively modest limits.

- To continue to permit any current tenant of a housing unit on the property to remain in occupation of his or her unit, so long as that tenant remains in *continuous occupation* of the unit (*continuous occupation* being defined as not less than 320 days in each calendar year) and meets his or her obligations under the tenancy of the unit.
 - Any rent increases (excluding any initial rent increase associated with a purchase offer) are to be benchmarked against the lower quartile of market rentals of similar properties in the area, using government produced data, and capped having regard to a sustainable affordability limit recognised as appropriate by providers of social housing in the city.
 - To ensure that at least the same number of units that are on the property at possession date are continuously made available for Social Housing.
 - Not to transfer the property to any person without the prior consent of HCC, with such consent not to be withheld where the transferee is government approved supplier of social housing, who agrees in writing with HCC to be bound by the terms of the encumbrance.
 - To provide six monthly reports detailing:
 - The number of units occupied during the period
 - How many units were occupied by Current Tenants and how many utilised for Social Housing purposes
 - The rental paid for each unit during the period
 - Any rent increases made during the period, and the basis on which such rent increases were calculated
 - The maintenance spend on property during the period
 - Any other information Council might reasonably request
 - To allow Council to enter onto any property to inspect condition and ensure compliance with the terms of the encumbrance.
 - To allow Council to undertake a formal audit to ensure compliance with the encumbrance
175. The encumbrance remains in force for a term of 10 years from possession date, or the date, in respect of a particular property, that the last current tenant ceases to occupy a unit on that property, whichever period is the longer.
176. In the event of a breach of the purchaser's obligations under the encumbrance, an annual charge is payable which is equivalent to the number of social housing units on the property on which the breach has been committed, multiplied by \$10,000, plus GST if any. That figure is CPI indexed to maintain its value. The annual charge will continue to be payable until the breach is remedied.
177. It should be noted that a specific encumbrance will be registered against the Donny Avenue property, to record a 99 year obligation in favour of the Donny Trust (who originally provided the land) to require this property to be used exclusively for Pensioner housing. Both Accessible and Habitat are aware and accepting of this encumbrance and have discussed this with the Donny Trust.

178. Risk179. Legal

180. Tompkins Wake have been involved throughout the entire sale process providing legal advice.
181. The agreement for sale and purchase signed by the potential purchasers contain different options capable of acceptance by Council. The potential purchaser has offered to pay alternative sale prices for the portfolio, firstly without imposition of the rent increase prior to settlement, and secondly subject to the rent increase being implemented prior to settlement. The difference between the offers is substantial.
182. The offer from Accessible also provides for payment by way of a 20% deposit on settlement, and the balance payable, free of interest, three years after settlement date.
183. Under this deferred payment option, Council's position is protected by a first mortgage registered against all of the properties. The mortgage includes financial covenants recommended by PwC. These covenants require the Purchaser to comply with any covenants contained in its banking arrangements. A breach of the financial covenants will allow Council to make immediate demand for repayment of the loan. The mortgage also requires the Purchaser to fully insure and maintain all of the properties to an appropriate standard.
184. If the Purchaser fails to pay the balance of the sale price on due date, interest will accrue at 15% per annum on the unpaid balance, and Council will have the right to exercise all the powers of a mortgagee of all of the land, including the right to resell any or all of the properties.
185. In the event that for any reason the amount recovered from the exercise of a power of sale of the property is not sufficient to cover the debt owing to HCC, and all interest and costs, any outstanding balance will remain owing as a debt by the Purchaser to HCC.
186. The nature of the security provided by the proposed mortgage and the consequences of default are summarised in Attachment 6 prepared by Tompkins Wake.
187. Tompkins Wake have assisted Council with due diligence investigation into Accessible specifically to clearly understand risk and confirm their ability to meet their obligations under the terms of the deferred settlement in the Agreement for Sale and Purchase.

188. Financial

189. The evaluation process has been subject to a full probity review by PricewaterhouseCoopers (PwC). PwC have provided an independent view of the probity of the process to select a preferred purchaser by assessing:
- The REOI process for consistency with the Office of the Auditor-General's Guidelines, MBIE Government Rules of Sourcing, Council's disposal policies and procedures and best practice;
 - That a fair, open and transparent process is followed, so that no parties are unfairly treated and the process is conducted with integrity;
 - That probity risks are identified and mitigating actions recommended.
190. PwC have assisted Council with due diligence investigation into Accessible Properties deferred settlement proposal, specifically to:
- Develop a full risk assessment to identify areas of potential risk and propose mitigating measures to manage the risks within acceptable limits;
 - Conduct a full review of Accessible Properties' financial affairs to confirm their ability to meet their obligations for a deferred settlement under the terms of the Agreement for Sale and Purchase.

191. PwC’s assessment of the REOI process against accepted good practice expectations for disposal by New Zealand Government entities has identified no exceptions. The PwC letter is included as Attachment 8.
192. The proposed first mortgage securing the deferred settlement portion of the sale to Accessible contains specific financial covenants:
- The purchaser shall comply throughout the term of the mortgage with the financial covenants imposed by their bank;
 - The purchaser will not seek or obtain any variation to their banking covenants without first giving Council a minimum five working days prior notice;
 - The purchaser shall provide Council, in a timely manner, with quarterly management accounts and annual audited financial statements;
 - In the event that the financial statements disclose any breach of the financial covenants the full amount of the purchase price shall be immediately repayable upon demand;
 - In the event that the purchasers bank calls in any loans, Council can trigger its mortgage security;
 - In addition, any breach of the encumbrance obligations not remedied within 30 days allow the mortgage security provisions to be triggered.
193. An executed copy of the Agreement for Sale and Purchase from both Accessible and Habitat with associated encumbrance instruments reflecting the above legal and financial provisions has been received by Council. Refer Attachments 6 and 7 in a separate report in the confidential section of the agenda.
194. Provision of Service
195. Council’s position in respect of the continued provision of the social housing service is protected by first ranking encumbrances on the title to each property sold.
196. Stimpson and Company have been engaged to assist Council with due diligence investigation into the preferred purchasers and provide an independent and objective overview of the purchasers capacity to continue to operate and enhance the social housing service in accordance with Council’s publicly stated intentions.
197. Stimpson and Company’s full report is at Attachment 5.
198. Implementation
199. Council staff will work closely with the purchaser to ensure that implementation of the transfer of ownership on 7 March 2016 is as smooth and efficient as possible. A Council communications plan has been developed and Council staff will meet with the purchaser as soon as practicable to develop a comprehensive transition plan.

Signatory

Authoriser	Blair Bowcott, Executive Director Special Projects
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Request for Expression of Interest

Sale of Hamilton City Council Pensioner Housing

Hamilton City Council

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D-1644022 - Sale of Hamilton City Council Pensioner Housing - Request for Expression of Interest

26 February 2015 (v8 FINAL)

Document Approval

	<i>Name</i>	<i>Signature</i>	<i>Date</i>
<i>Prepared By:</i>	Nicolas Wells Strategic Property Manager		
<i>Reviewed By:</i>	Ken Cunningham Strategic Land Manager		
<i>Reviewed By:</i>	Peter Duncan Tompkins Wake Lawyers		
<i>Approved By:</i>	Blair Bowcott General Manager Performance		

1. Purpose

The purpose of this Request for Expression of Interest (REOI) is to obtain information to assist the Hamilton City Council (the Council) in the process of selection of a suitable provider, or providers, of social housing to purchase the Council's pensioner housing portfolio.

2. Background

The Council currently owns 344, mainly one-bedroom, pensioner housing units in 17 communal-style complexes across the city. Currently 363 people live in these complexes.

The Council acts only as a landlord. It does not provide other services.

The criteria applied for eligibility for the Council's pensioner housing is set out in a Council Policy "Housing for Older Persons" which applies an entry criteria that is less restrictive than the Ministry of Social Development criteria applied for social housing.

The Council has sold pensioner housing properties in the past. Since 2002 the Council has sold six complexes and the number of units has decreased by 107 units. In December 2014 the Council decided to invite social housing providers to buy the Council's pensioner housing for on-going use as social housing.

Further comprehensive background information can be found on the Council's website <http://www.hamilton.govt.nz/our-services/housingfortheolderperson/Pages/Older-persons-housing-review.aspx>

3. Council Conditions

The Council has resolved to sell its entire pensioner housing portfolio to social housing providers subject to the satisfaction of certain conditions. The Council will no longer provide pensioner housing as a Council service. The sale of the pensioner housing portfolio is subject to the following conditions:

- That the properties (land and buildings) be used to provide social housing only.
- That all existing tenants at the date of sale remain in the pensioner housing portfolio indefinitely - providing all current and on-going tenancy obligations are met.
- That rent rises for existing tenants (after adjusting for accommodation supplements) are based on a cost recovery model benchmarked and capped against stipulated affordability and market rental indices (as detailed in Clause 5c of Appendix 2 to the Memorandum of Encumbrance attached).
- That the overall number (344) of social housing units within the pensioner housing portfolio is maintained for 10 years so that there is no decrease in the overall number of units available for social housing in the city during this period (as detailed in Clause 4 of Appendix 2 to the Memorandum of Encumbrance attached). Council's intention is that the total number of units available for social housing across the city does not reduce as a consequence of this sale over the next 10 years.

Any contract with a purchasing party for properties sold to social housing providers will be entered into subject to an encumbrance in favour of the Council affecting the land sold. This is to ensure the properties remain used for social housing purposes for the agreed minimum time of 10 years. The Council has legal remedies under the encumbrances in the event of a breach.

4. Process

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Expressions of Interest are sought from parties interested in purchasing the Council's pensioner housing properties and providing on-going social housing in Hamilton in accordance with the Council's conditions. No contract for the sale of any of the pensioner housing properties will be binding upon the Council until it has been specifically approved by a formal resolution of the Council.

The anticipated timetable for this REOI is:

Activity	Indicative Date
REOI National Advertising	Saturday 21 February 2015
REOI Issued and Open	Monday 23 February 2015
Closing date for REOI submissions	Monday 24 August 2015
Notification of Preferred Respondent(s)	Monday 21 September 2015
Negotiation with Preferred Respondent(s) Completed	Monday 9 November 2015
Council Decision	Thursday 26 November 2015
Proposed Sale and Purchase Settlement Date	Monday 1 February 2016

Please note this timetable is indicative only and may be subject to change at the sole discretion of the Council.

5. Information Requirements

The following table lists the information required for Council to give relevant consideration to each Expression of Interest and to make an assessment of the suitability of the Expression of Interest to meet the Council's conditions of sale. Much of the information requested is based on the Social Housing Unit of the Ministry of Business, Innovation and Employment's eligibility criteria for registration as a Community Housing Provider.

The information requirements have been developed to allow respondents and Council flexibility in the preparation and evaluation of potentially divergent proposals. Expressions of Interest should contain relevant information under each of the following headings.

A full response to the information requirements will assist in providing Council with clarity and confidence that your organisation will be able to achieve the Council's conditions of sale. Expressions of Interest should not be limited to the information requirements tabulated below and should include any and all other relevant information as deemed appropriate.

Your Organisation
<ol style="list-style-type: none"> 1. Commencement date of your business/operation. 2. Is your organisation registered with the Government's Community Housing Regulatory Authority (CHRA) as a Community Housing Provider (CHP)? <ul style="list-style-type: none"> • If so please provide registration number. 3. If not, is your organisation intending to become a registered Community Housing Provider? <ul style="list-style-type: none"> • If so please provide details of impending registration. • If not please provide an explanation as to why your organisation has chosen not to seek

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registration.
Your Governance and Management
<p>4. <i>Trust Deed, constitution or other empowering document</i></p> <p>5. <i>Identified group of suitably skilled people responsible for governance, including</i></p> <ul style="list-style-type: none"> • <i>Biographies of current governing board members/trustees</i> • <i>External professional advisors (legal, finance, property, auditors)</i> <p>6. <i>Planning Documents, including</i></p> <ul style="list-style-type: none"> • <i>Strategic Plan, Business Plan, Financial Plan, Annual Report, Audited Accounts, Quality and Risk Management Documentation</i> <p><i>We want to understand the systems and processes in place to ensure an appropriate management structure, and systems, policies and procedures in place to ensure that the operational needs of the business can be met and the intended outcomes of the business can be achieved.</i></p>
Your Financial Viability
<p>7. <i>Evidence that systems and processes are in place to ensure that there is a viable capital structure and appropriate financial performance is maintained, including</i></p> <ul style="list-style-type: none"> • <i>Financial Accounts (P&L, Cash-flow, Balance Sheet)</i> • <i>Cash Flow Forecast</i> • <i>Planning Documentation</i> • <i>Annual Report</i> <p>8. <i>Evidence that systems and processes are in place to ensure that financial risk exposure is managed, including</i></p> <ul style="list-style-type: none"> • <i>Insurance Policies</i> • <i>Debt financing arrangements and covenants</i>
Your Current Activities
<p>9. <i>Description of your existing social housing portfolio or activities</i></p> <ul style="list-style-type: none"> • <i>Number and value of complexes and units</i> • <i>Type and style of complexes and units</i> • <i>Number and classification of tenants</i> • <i>Geographic location of units (national, regional, local)</i> • <i>Are you currently operating in Hamilton?</i> <p>10. <i>Description of the services you currently provide</i></p> <p>11. <i>Description of any plans for enhanced services in the near future</i></p>
Your Tenancy Management
<p>12. <i>Description of systems and processes to ensure compliance with all relevant legislative requirements (including the Residential Tenancies Act 1986), including</i></p> <ul style="list-style-type: none"> • <i>Tenant allocation policy and procedures</i> • <i>Examples of information provided to tenants (application form, handbook, guidelines, agreement, service delivery agreements, pamphlets and correspondence)</i> • <i>Customer satisfaction survey</i> <p>13. <i>Description of systems and processes to ensure that the outcomes for tenants are appropriate, measurable and monitored in relation to affordability, access to information and access to services, including</i></p> <ul style="list-style-type: none"> • <i>Policies and procedures for rent setting</i> • <i>Policies and procedures for monitoring affordability for tenants</i>

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<p>14. <i>What additional social services (“Wrap Around” services) do you provide?</i></p> <ul style="list-style-type: none"> • <i>Transportation, shopping, healthcare, pastoral care, mental health support, refuge support, meals, parental advice services, budgetary services, legal services</i>
<p>Your Property and Asset Management</p>
<p>15. <i>Evidence of systems and processes to ensure that cyclical and life-cycle maintenance is planned and undertaken and compliance with all relevant legislative requirements (Building Act, Building Regulations, Residential Tenancies Act) is achieved, including</i></p> <ul style="list-style-type: none"> • <i>Asset Management Plans</i> • <i>Maintenance Plans and Schedules</i> • <i>Property Inspection Plans and Schedules</i> • <i>Maintenance Data</i>
<p>Your Proposal (Expression of Interest)</p>
<p>16. <i>How many units do you propose to purchase?</i></p> <ul style="list-style-type: none"> • <i>Detail the number, name and location of the complexes</i> <p>17. <i>What are you proposing to pay?</i></p> <ul style="list-style-type: none"> • <i>Provide purchase price for total number of complexes (if more than one) and a purchase price per complex (all figures to be expressed exclusive of GST)</i> • <i>Details of the financing or financial resources that are in place to undertake the purchase</i> <p>18. <i>What services can you provide existing Council tenants?</i></p> <p>19. <i>How do you propose to assess rentals for existing Council tenants?</i></p> <ul style="list-style-type: none"> • <i>Clause 5c of Appendix 2 to the Memorandum of Encumbrance affecting the land sets parameters for the fixing of rent for existing Council tenants. Provide details of how you will apply these parameters in your management of the land</i> <p>20. <i>What services can you provide new tenants?</i></p> <p>21. <i>What are your plans for the complexes that you acquire?</i></p> <ul style="list-style-type: none"> • <i>Details of what you propose to use the housing for and how you will manage the properties to meet the Council’s requirements in the conditions of sale</i> <p>22. <i>Please include any and all other information you deem appropriate to enable Council to fully understand the nature of your proposal.</i></p>

6. Proposal Evaluation Team

Expressions of Interest will be evaluated by the Proposal Evaluation Team (PET) against the information provided. The PET will consist of the Council’s General Manager Performance, Chief Financial Officer, Strategic Property Unit Manager, Property Management Unit Manager, and Community Development and Leisure Manager.

The PET will be supported by legal, valuation and other professional services or subject matter experts as required.

7. Evaluation Process

Expressions of Interest should be no longer than twenty (20) A4 pages in total.

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Expressions of Interest will be evaluated by reviewing the proposal against each of the Assessment Criteria listed above. The PET will develop a shortlist.

Shortlisted parties may be invited to present to the PET and the team will identify a "Preferred Respondent or Respondents" whose proposals most closely align with the Council's requirements.

The Council will then commence negotiations with the Preferred Respondent or Respondents.

The Council may in its absolute discretion cease negotiations with the Preferred Respondent or Respondents and commence negotiations with any other Respondent.

8. Contact

Council acknowledges that potential respondents may conduct business with Council and have engagement with staff and elected members on an on-going basis. In order to maintain the integrity and impartiality of the evaluation process Council advise that matters relating to this REOI be kept separate and all enquiries and requests for clarification of the REOI information should be made directly to:

Ken Cunningham
Strategic Land Manager
Council Buildings
Garden Place, Hamilton
Phone: 07 838 6699
Email: property@hcc.govt.nz

9. Legal Status

This request is an invitation to treat only, and does not constitute an offer to sell any property which is capable of acceptance. The receipt by any person of this request for expressions of interest does not create a legal relationship of any nature between that person and the Council. Council is under no obligation to accept any offer which arises from this request, nor to accept the offer for the highest price.

The information contained in, or enclosed with, this request has been provided in good faith by the Council in order to assist interested parties in their evaluation of the request, and does not purport to contain all the information that a prospective purchaser may require. Council shall not be held liable for any error or omission contained in it.

No warranty or representation expressed or implied is made by Council that any property is now or will remain suitable or adequate for the use or development or that any use of any property will comply with the bylaws ordinances or other requirements of any authority having jurisdiction.

In all cases interested parties must conduct their own investigation and analysis of the property and the data set out in or included with this request and satisfy themselves with its suitability and accuracy in all respects.

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APPENDIX ONE: CONTRACT TERMS AND CONDITIONS

1. Agreement for Sale and Purchase of Pensioner Housing
2. Encumbrance Instrument (Encumbrance to be registered on the relevant individual Certificates of Title)

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APPENDIX TWO: INFORMATION MEMO PACK

SCHEDULE OF ITEMS INCLUDED IN INFORMATION MEMO PACK

1. Land Information Memorandum for individual properties
2. Spreadsheet with individual property and current rental information
3. Spreadsheet of capital and maintenance expenditure over the past 2½ years
4. Spreadsheet of proposed capital and maintenance expenditure for the next 3 years
5. Current Hamilton City Council policy Housing for the Older Person
6. Location Map

Pensioner Housing Sale - REOI - Evaluation Meeting 1 Wednesday 9 September 2015 - Non Financial Attributes

	Accessible					Habitat					Activate					N M Deshpande & Nominees					JAST Pure NZ Limited					
	EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5	
Organisation	20	17	16	18	15	18	16	16	17	18	18	11	18	13	10	6	10	2	3	1	0	1	0	0	0	0
Management	40	32	31	30	35	35	31	31	30	34	33	16	16	14	25	16	0	2	0	1	1	0	0	0	0	0
Financial	30	22	20	23	18	24	25	23	23	26	25	20	18	17	15	15	0	0	0	0	0	0	0	0	0	
Current Activities	30	22	20	26	25	23	20	12	20	20	20	9	12	8	8	8	0	3	0	0	1	0	0	0	0	
Tenancy	25	21	20	20	18	22	19	17	19	16	16	8	13	10	5	10	0	0	0	0	1	0	0	0	0	
Property	15	12	10	12	12	10	11	10	13	12	10	0	0	0	0	0	0	0	0	0	1	0	0	0	0	
Proposal	40	31	26	31	30	32	24	23	23	20	27	10	10	8	5	6	0	1	0	0	1	0	0	0	0	
Total	200	157	143	160	153	164	146	132	145	146	149	74	82	67	64	65	7	9	1	3	6	0	0	0	0	

155.4 Average Score 1 143.6 Average Score 2 70.4 Average Score 3 3.8 Average Score 4 0 Average Score 5

Pensioner Housing Sale - REOI - Evaluation Meeting 2 Tuesday 20 October 2015 - Non Financial Attributes (Further Information)

	Accessible					Habitat					
	EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5	
Organisation	20	17	16	18	15	18	16	16	17	18	18
Management	40	32	31	30	35	35	31	31	30	34	33
Financial	30	22	20	23	20	24	25	23	23	26	25
Current Activities	30	22	20	26	25	23	20	19	20	20	20
Tenancy	25	21	20	20	18	22	19	17	19	16	16
Property	15	12	10	12	12	10	11	10	13	12	10
Proposal	40	31	28	31	30	32	28	26	26	25	30
Total	200	157	145	160	155	164	150	142	148	151	152

156.2 Average Score 1 148.6 Average Score 2
 200 Normalised Score 1 190 Normalised Score 2

Pensioner Housing Sale - REOI - Evaluation Meeting 3 Tuesday 27 October 2015 - Financial Attributes (Final Proposal)

	Accessible Properties				Habitat for Humanity			
	Option A	Option B	Option C	Option D	Option A	Option B	Option C	Option D
	Immediate Settlement	Deferred Settlement						
	No rental increase by HCC	Rental increased 11% by HCC	No rental increase by HCC	Rental increased 11% by HCC	No rental increase by HCC	Rental increased 11% by HCC	No rental increase by HCC	Rental increased 11% by HCC
Purchase price	16,000,000	17,500,000	23,000,000	23,500,000	14,525,500	17,047,913	0	0
Cashflow								
Now	16,000,000	17,500,000	4,600,000	4,700,000	14,525,500	17,047,913	0	0
1 Year	0	0	0	0	0	0	0	0
2 Years	0	0	0	0	0	0	0	0
3 Years	0	0	18,400,000	18,800,000	0	0	0	0
Total	16,000,000	17,500,000	23,000,000	23,500,000	14,525,500	17,047,913	0	0
Net Present Value Analysis								
Received 'Now'	16,000,000	17,500,000	4,600,000	4,700,000	14,525,500	17,047,913	0	0
Received 'Later'	0	0	15,448,995	15,784,843	0	0	0	0
Total	16,000,000	17,500,000	20,048,995	20,484,843	14,525,500	17,047,913	0	0
Ranking	5	3	2	1	6	4	7	7
Score	156	171	196	200	142	166	0	0

HCC cost of funds 5.00%

Pensioner Housing Sale - REOI - Evaluation Meeting 3 Tuesday 27 October 2015 - SUMMARY OPTION D

		Accessible					Habitat				
		EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5
Non-Financial	200	157	145	160	155	164	150	142	148	151	152
Financial	200	200	200	200	200	200	0	0	0	0	0
TOTAL	400	357	345	360	355	364	150	142	148	151	152

356.2 Average Score
400 Normalised Score

1
1

148.6 Average Score
190 Normalised Score

Pensioner Housing Sale - REOI - Evaluation Meeting 3 Tuesday 27 October 2015 - SUMMARY OPTION C

		Accessible					Habitat				
		EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5
Non-Financial	200	157	145	160	155	164	150	142	148	151	152
Financial	200	196	196	196	196	196	0	0	0	0	0
TOTAL	400	353	341	356	351	360	150	142	148	151	152

352.2 Average Score
396 Normalised Score

2
2

148.5 Average Score
190 Normalised Score

Pensioner Housing Sale - REOI - Evaluation Meeting 3 Tuesday 27 October 2015 - SUMMARY OPTION B

		Accessible					Habitat				
		EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5
Non-Financial	200	157	145	160	155	164	150	142	148	151	152
Financial	200	171	171	171	171	171	166	166	166	166	166
TOTAL	400	328	316	331	326	335	316	308	314	317	318

327.2 Average Score
371 Normalised Score

3
3

314.6 Average Score
356 Normalised Score

Pensioner Housing Sale - REOI - Evaluation Meeting 3 Tuesday 27 October 2015 - SUMMARY OPTION A

		Accessible					Habitat				
		EV1	EV2	EV3	EV4	EV5	EV1	EV2	EV3	EV4	EV5
Non-Financial	200	157	145	160	155	164	150	142	148	151	152
Financial	200	156	156	156	156	156	142	142	142	142	142
TOTAL	400	313	301	316	311	320	292	284	290	293	294

312.2 Average Score
356 Normalised Score

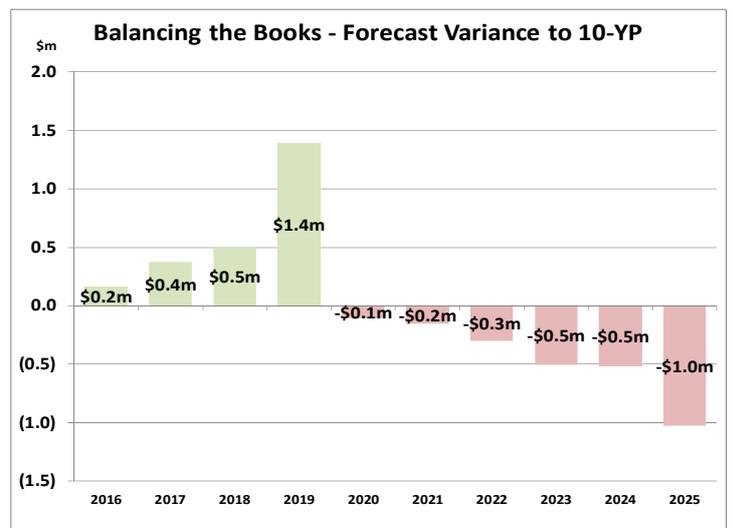
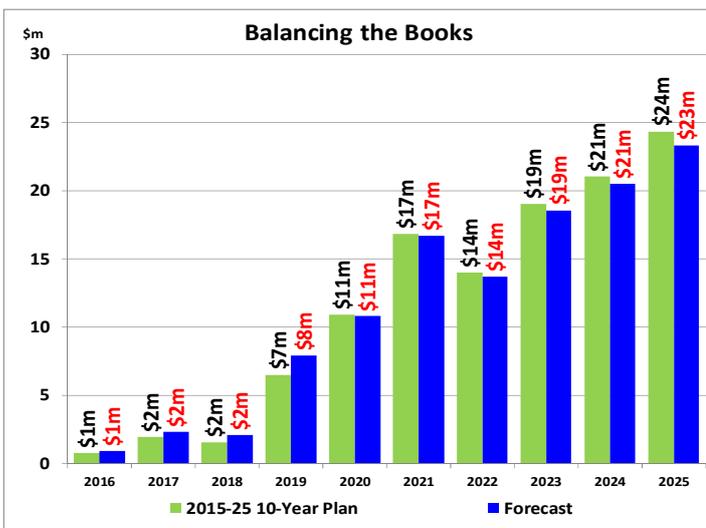
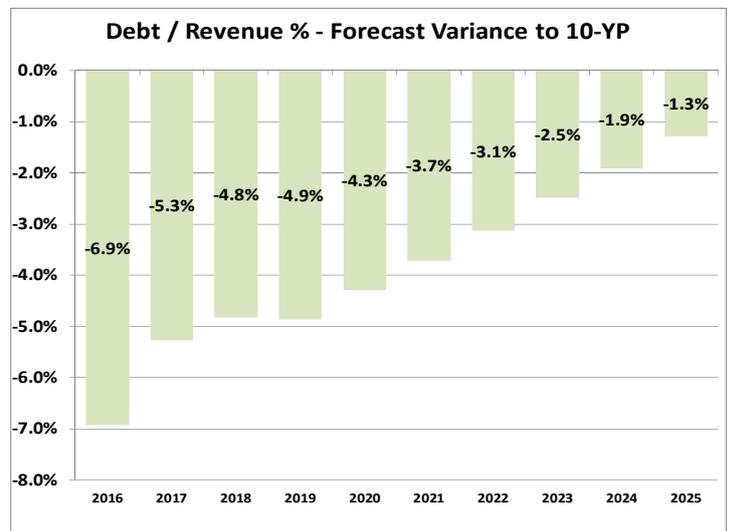
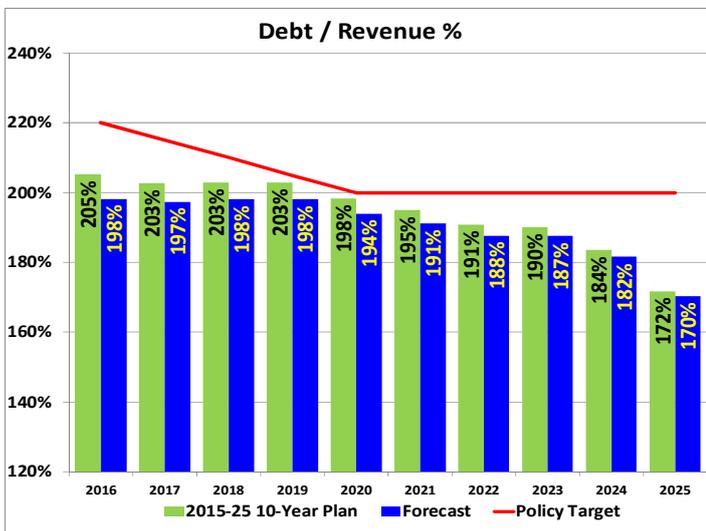
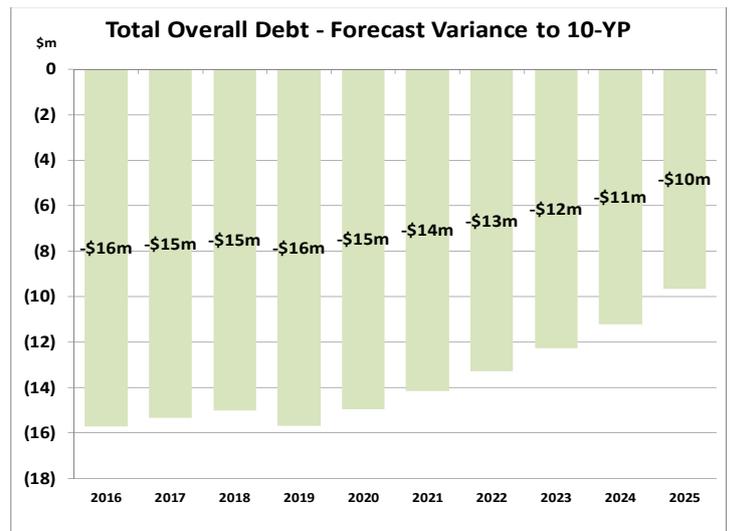
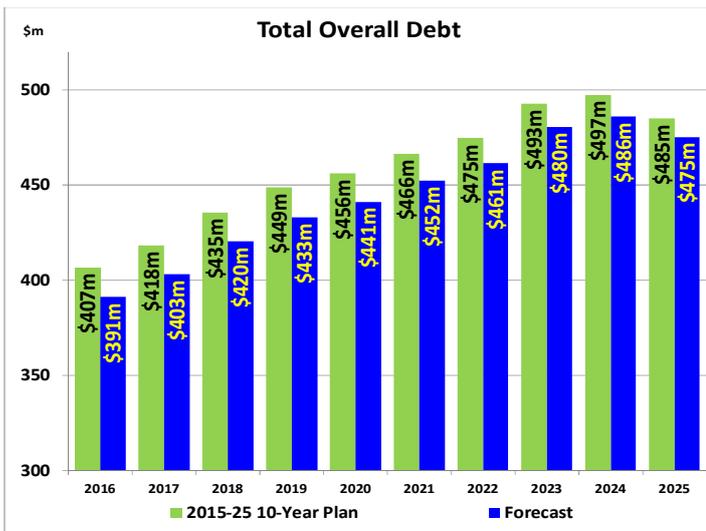
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4

290.5 Average Score
332 Normalised Score

D-1977681

KEY INDICATORS - Option A : Immediate settlement and HCC don't increase rent before sale

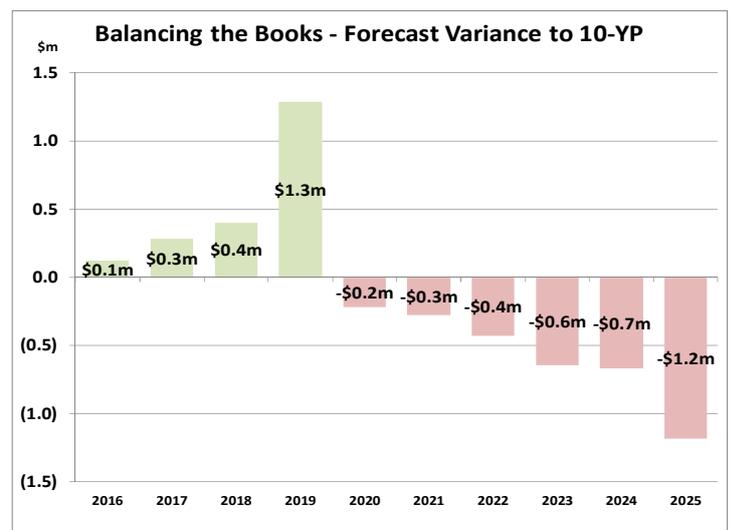
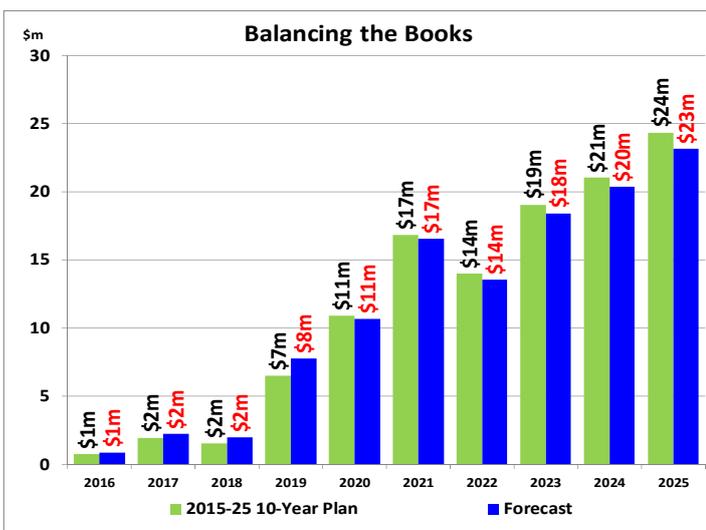
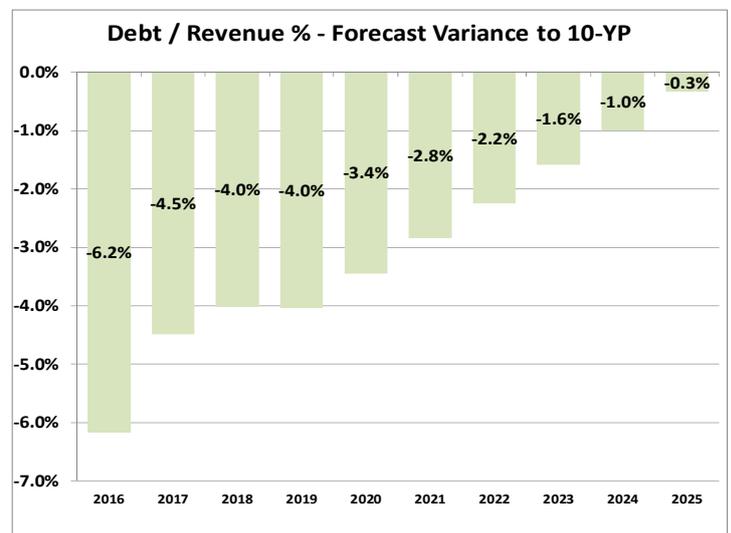
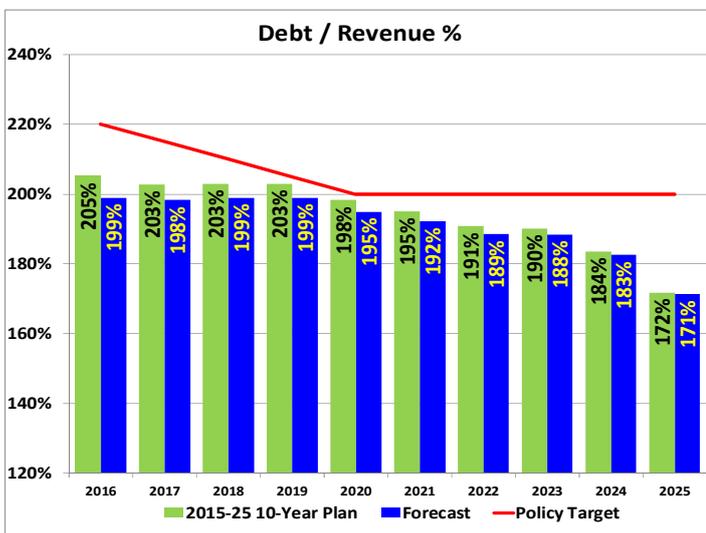
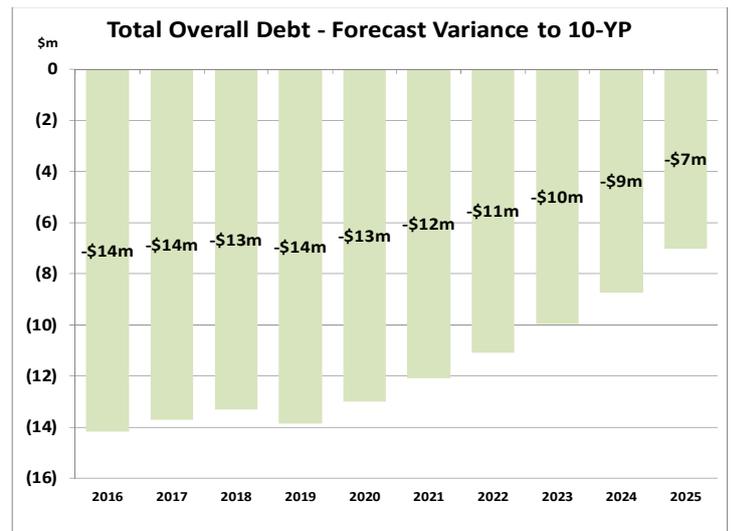
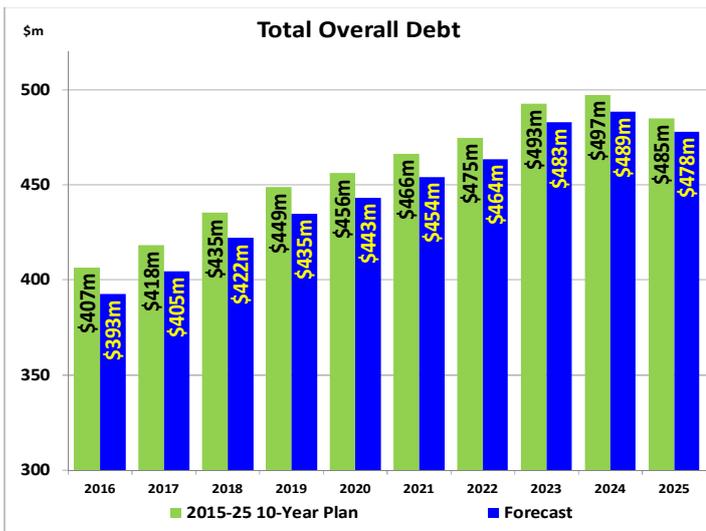
ACCESSIBLE PROPERTIES



Notes:
 Remove entire Housing activity (except 1st half of 2016 and Overheads) from 10-Year Plan budget
 Sell for \$16m with immediate settlement
 Estimated loss on sale of housing assets of \$11.797m

KEY INDICATORS - Option A : Immediate settlement and HCC don't increase rent before sale

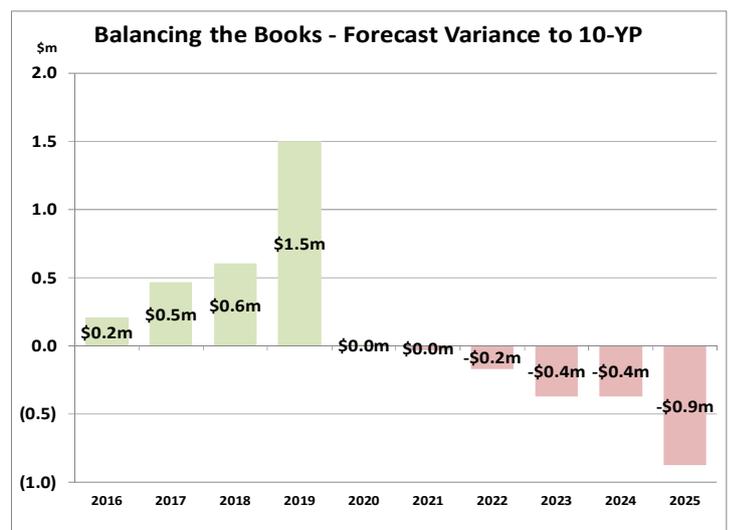
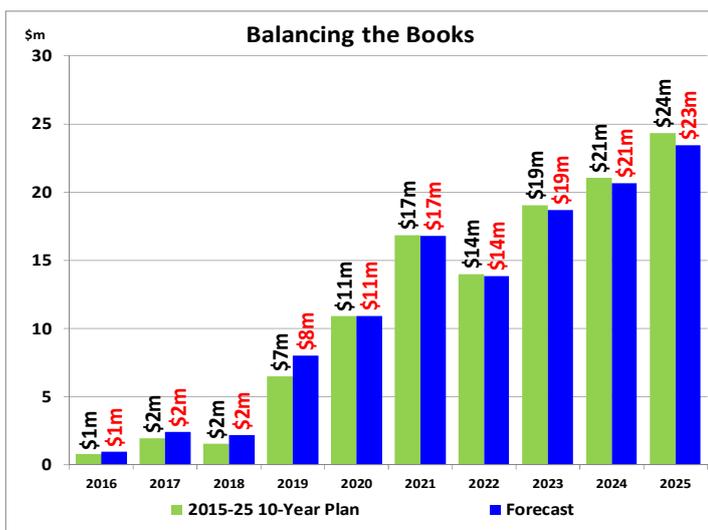
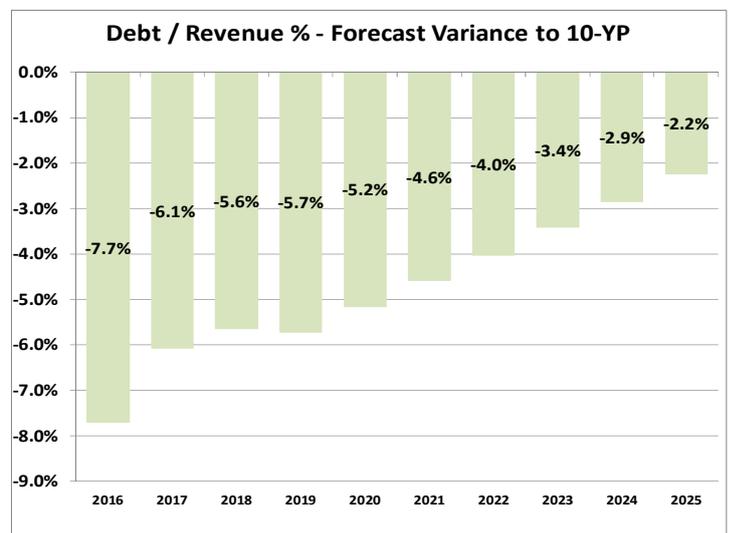
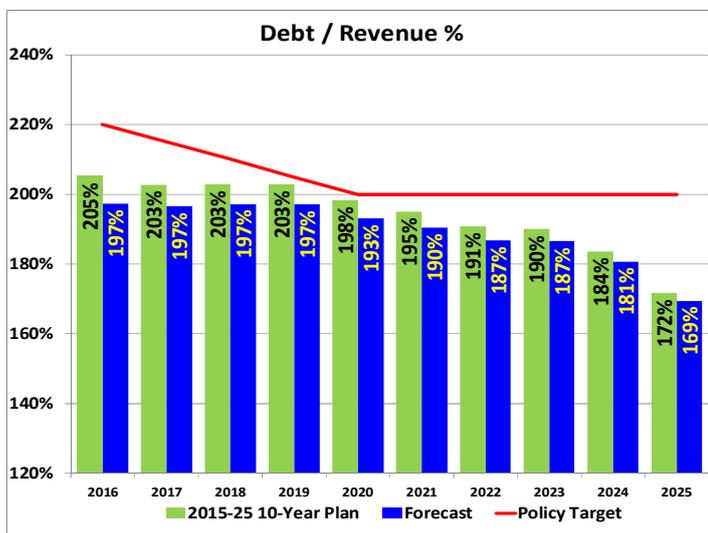
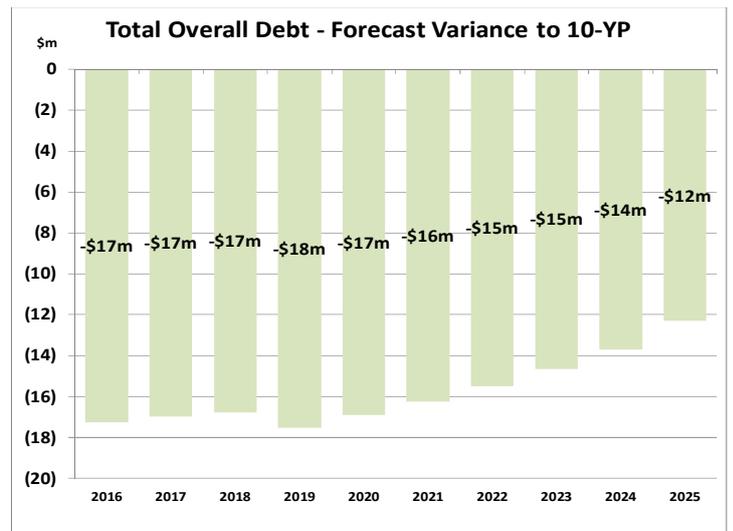
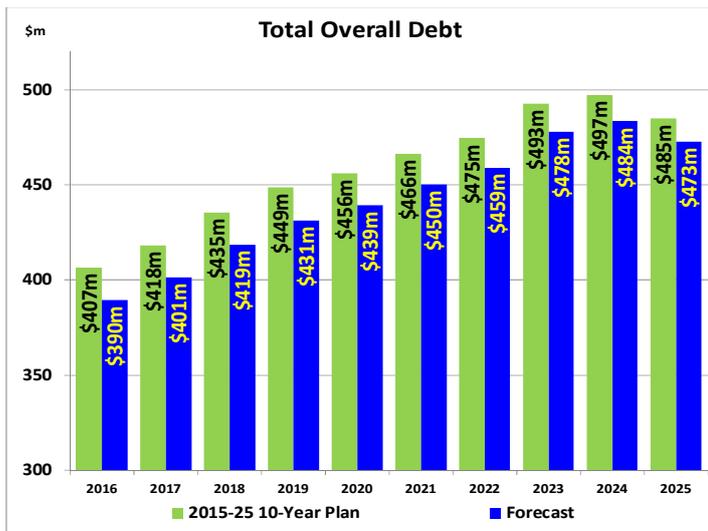
HABITAT FOR HUMANITY



Notes:
 Remove entire Housing activity (except 1st half of 2016 and Overheads) from 10-Year Plan budget
 Sell for \$14.526m with immediate settlement
 Estimated loss on sale of housing assets of \$13.272m

KEY INDICATORS - Option B : Immediate settlement and HCC increase rent by 11% before sale

ACCESSIBLE PROPERTIES

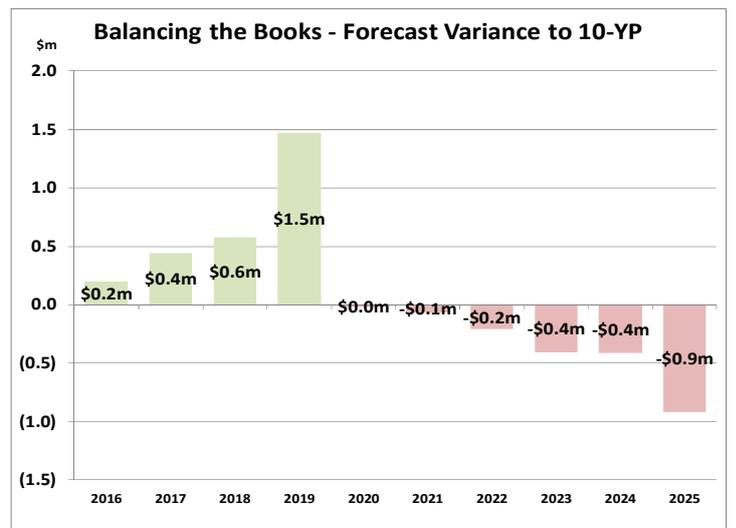
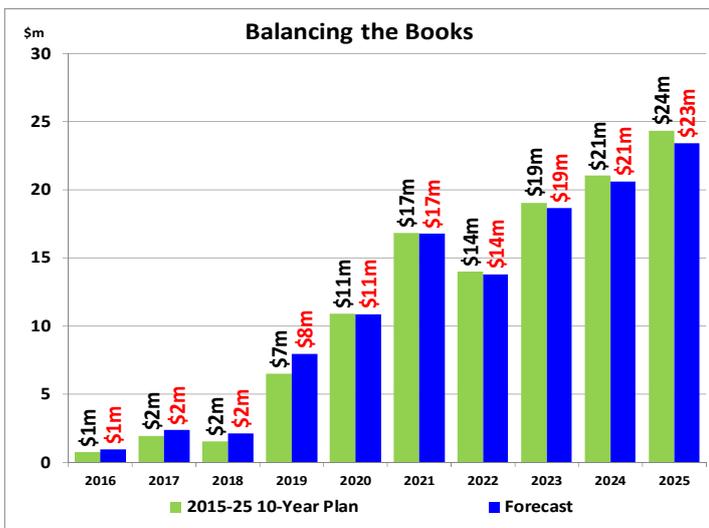
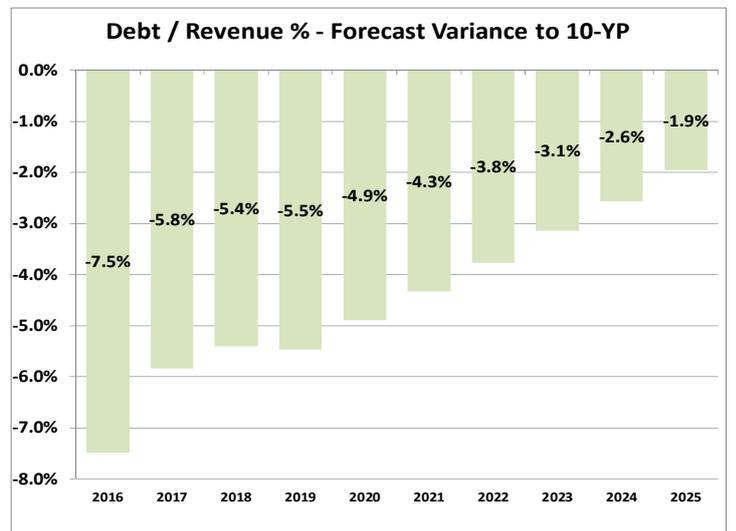
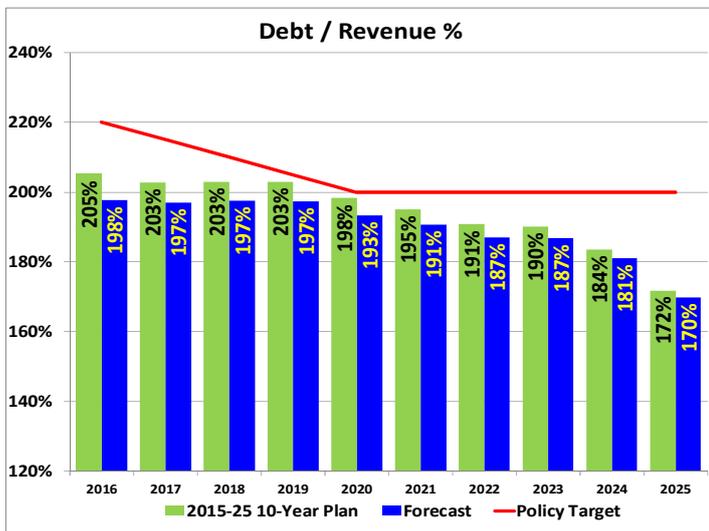
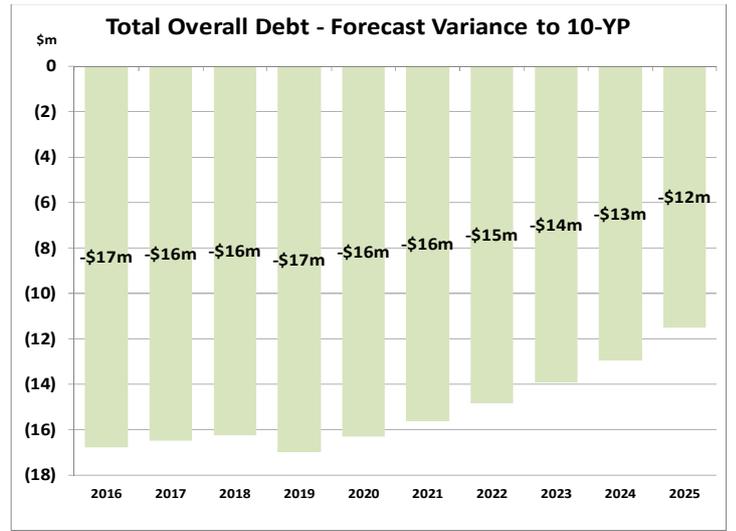
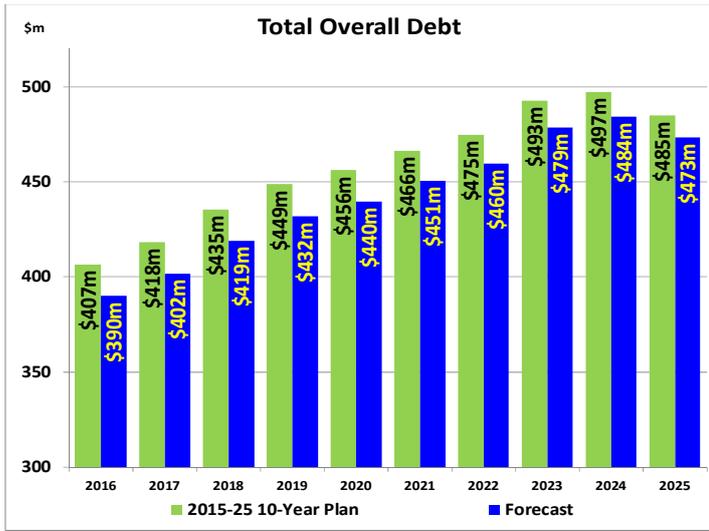


Notes:

Remove entire Housing activity (except 1st half of 2016 and Overheads) from 10-Year Plan budget
 Sell for \$17.5m with immediate settlement
 Estimated loss on sale of housing assets of \$10.297m

KEY INDICATORS - Option B : Immediate settlement and HCC increase rent by 11% before sale

HABITAT FOR HUMANITY

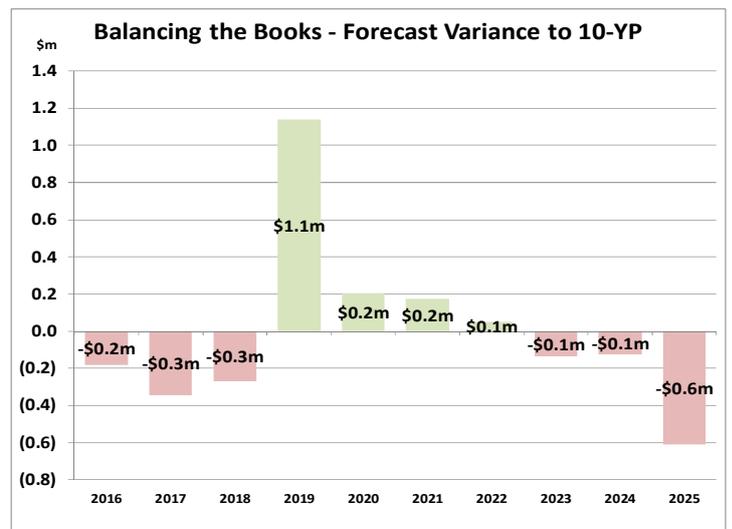
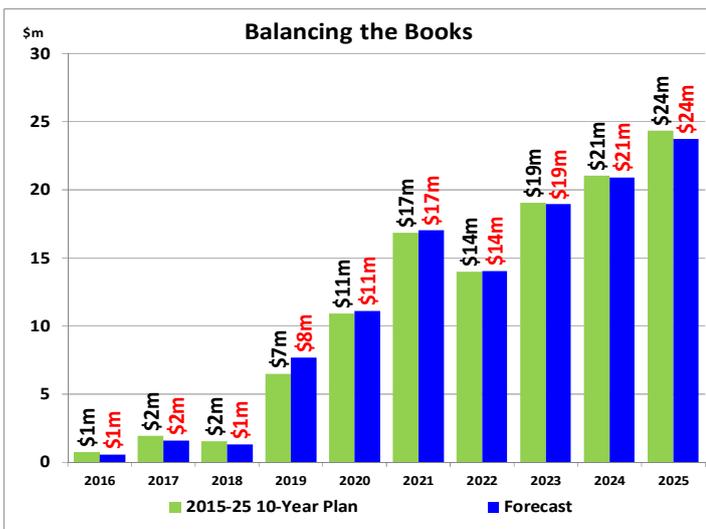
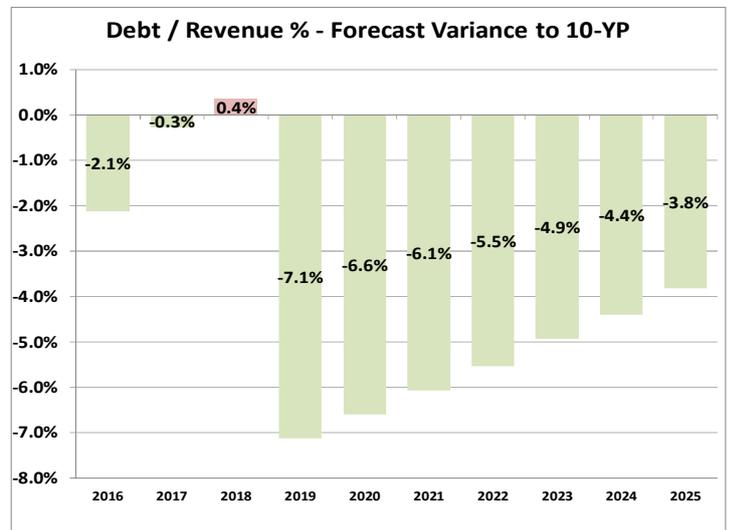
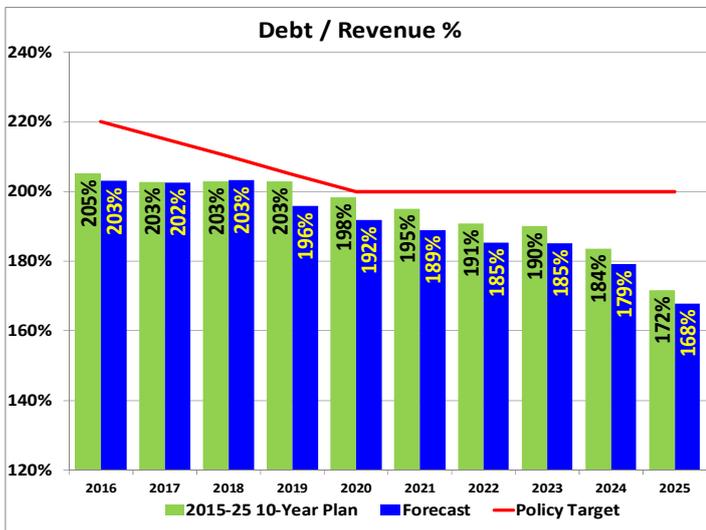
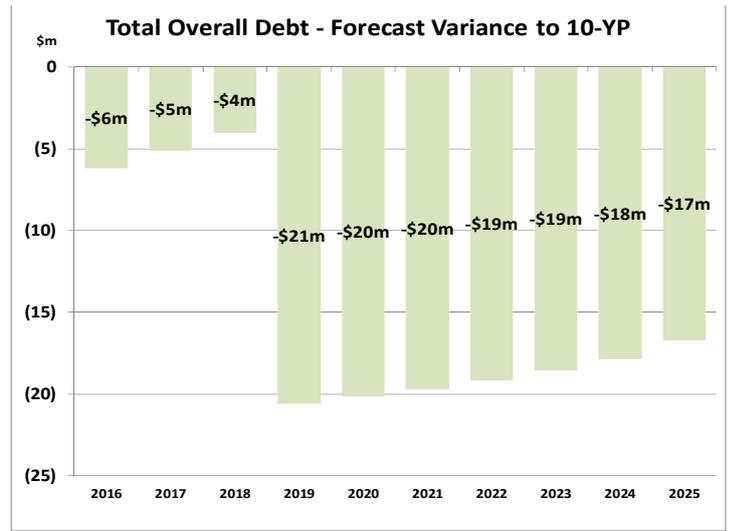
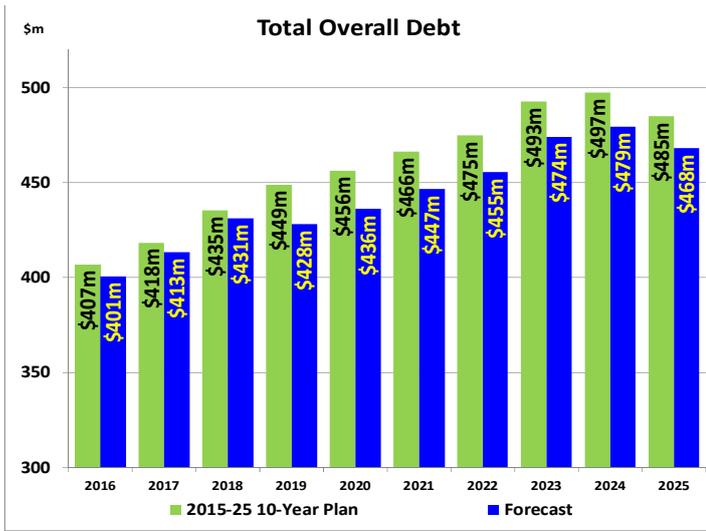


Notes:

Remove entire Housing activity (except 1st half of 2016 and Overheads) from 10-Year Plan budget
 Sell for \$17.048m with immediate settlement
 Estimated loss on sale of housing assets of \$10.749m

KEY INDICATORS - Option C : Deferred settlement and HCC don't increase rent before sale

ACCESSIBLE PROPERTIES

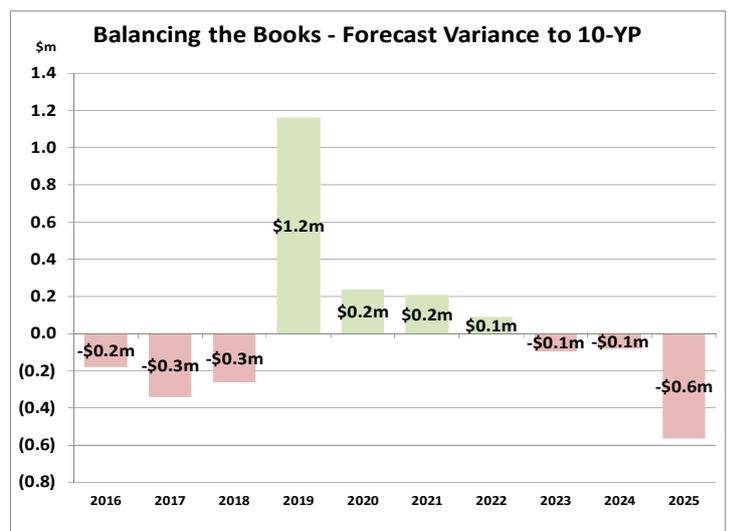
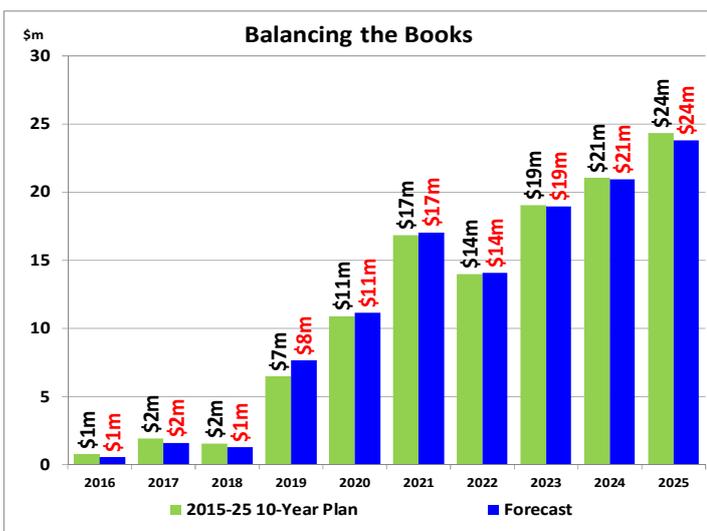
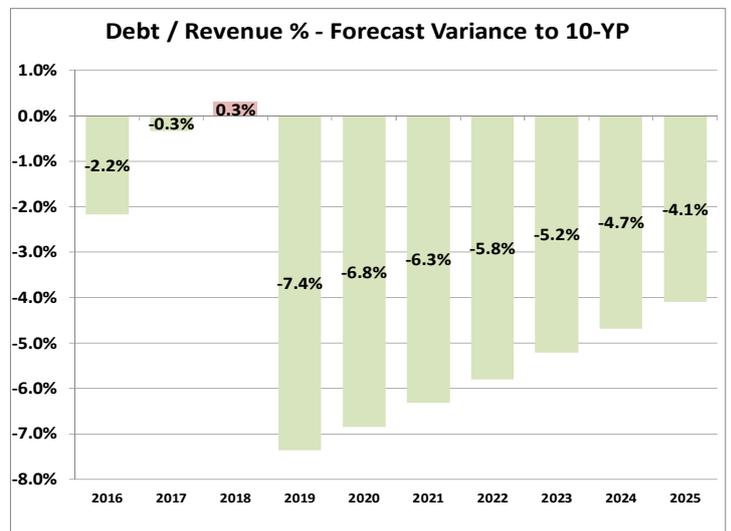
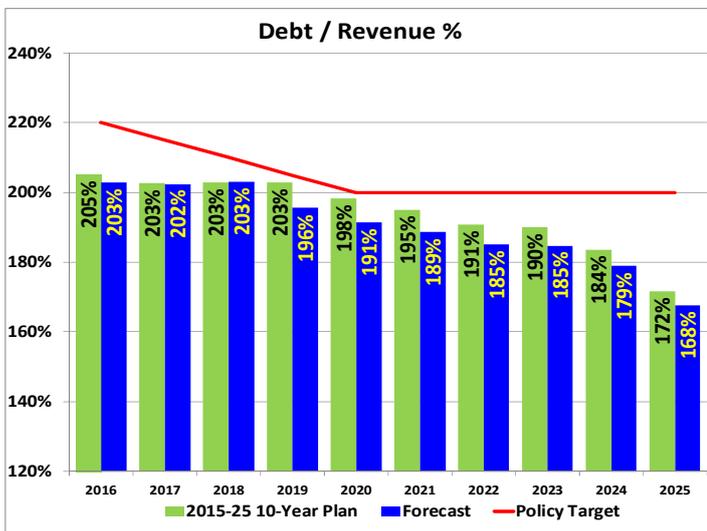
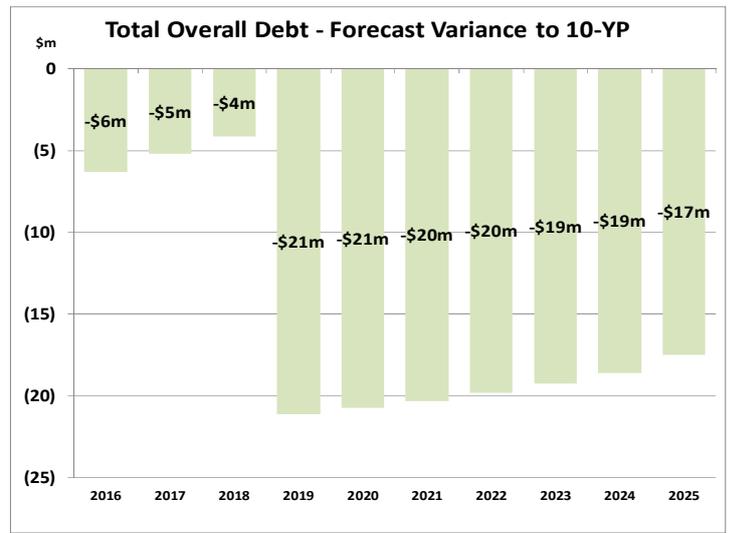
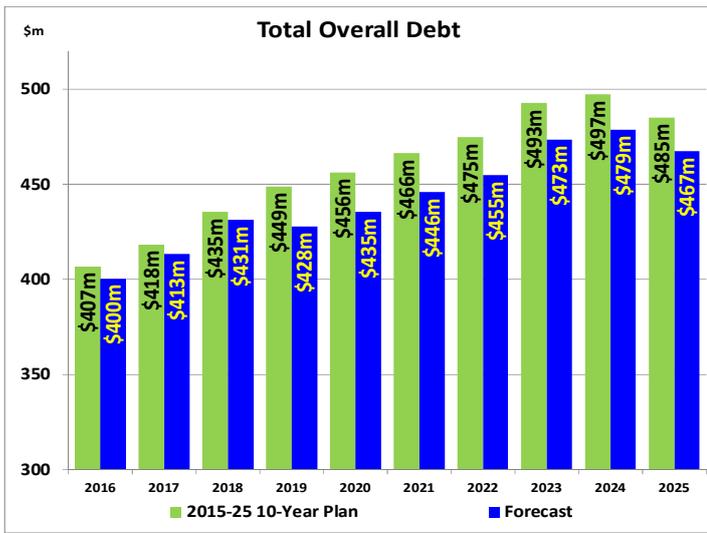


Notes:

Remove entire Housing activity (except 1st half of 2016 and Overheads) from 10-Year Plan budget
 Sell for \$23m with 20% received immediately and 80% in 3 years time
 Estimated loss on sale of housing assets of \$7.748m

KEY INDICATORS - Option D : Deferred settlement and HCC increase rent by 11% before sale

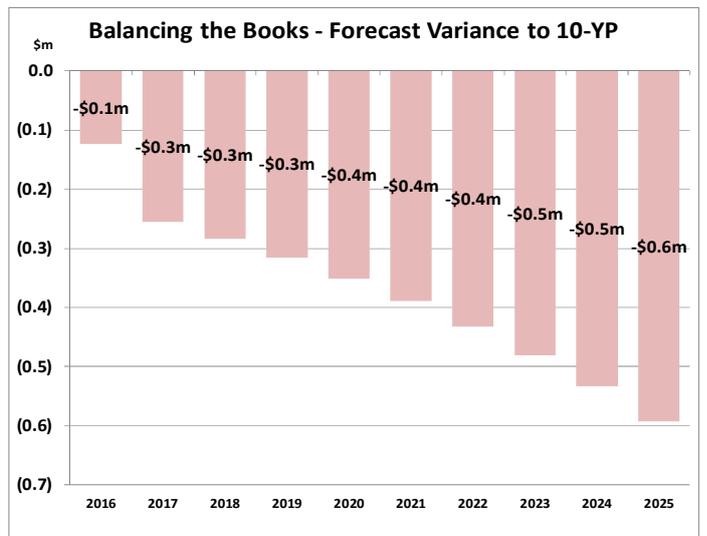
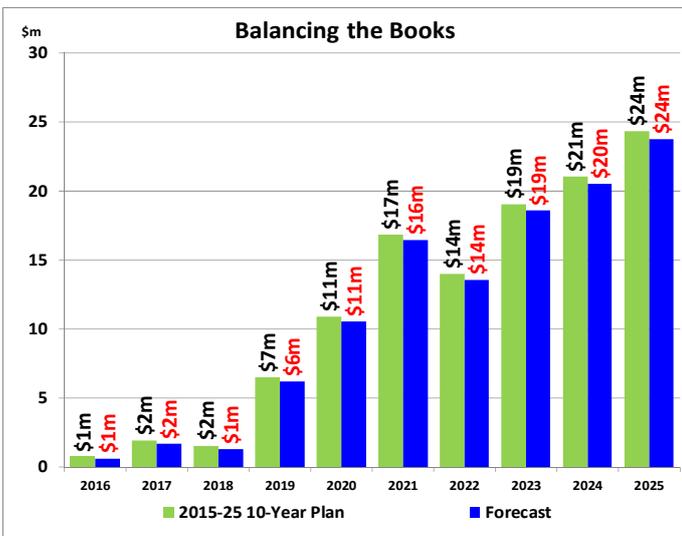
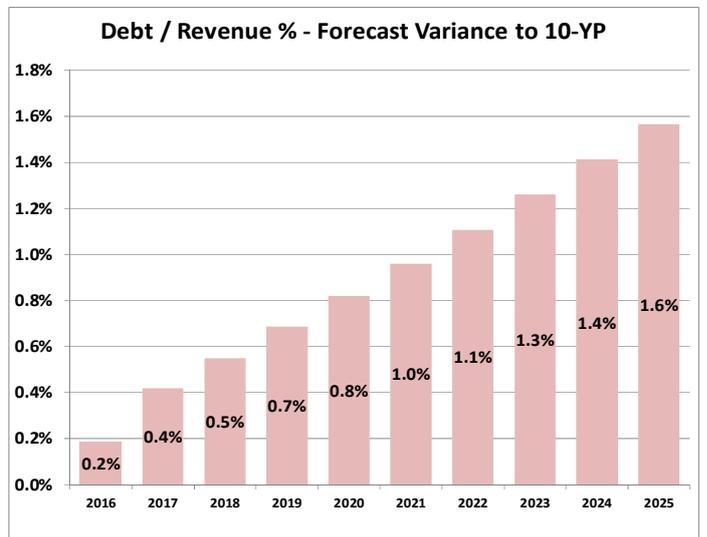
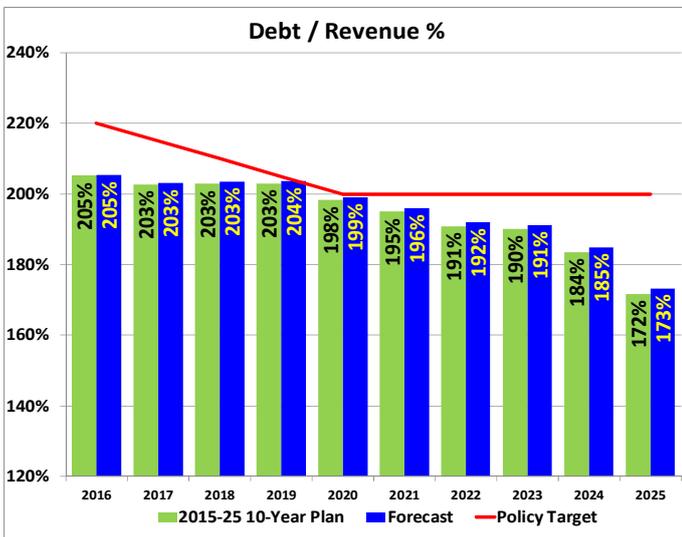
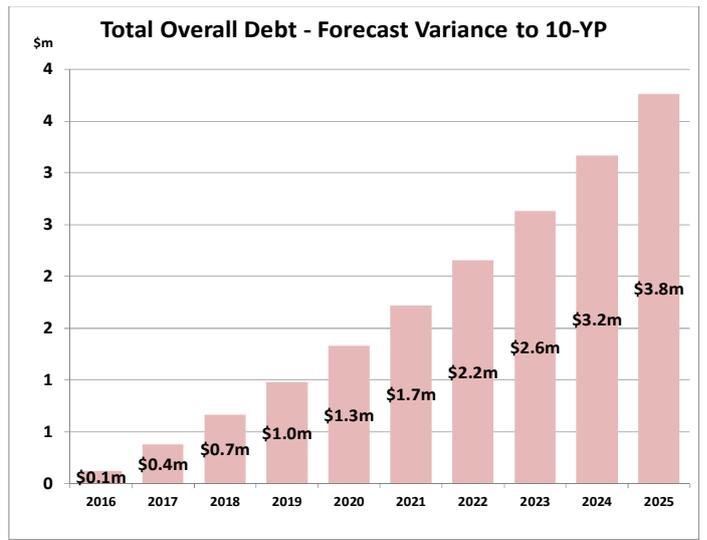
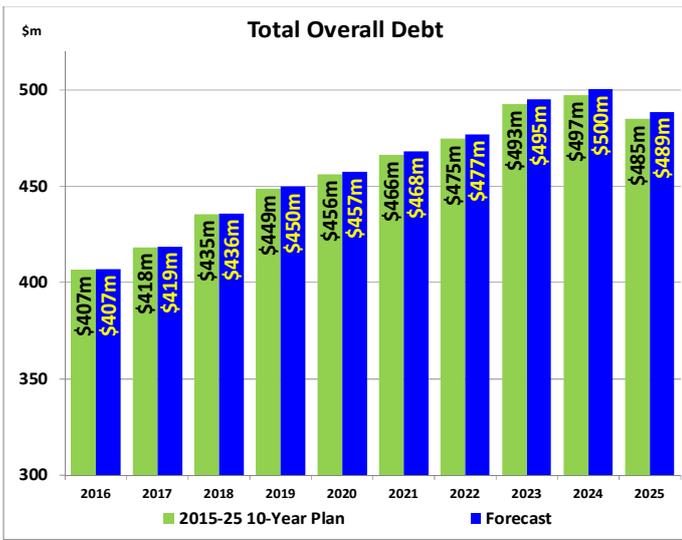
ACCESSIBLE PROPERTIES



Notes:

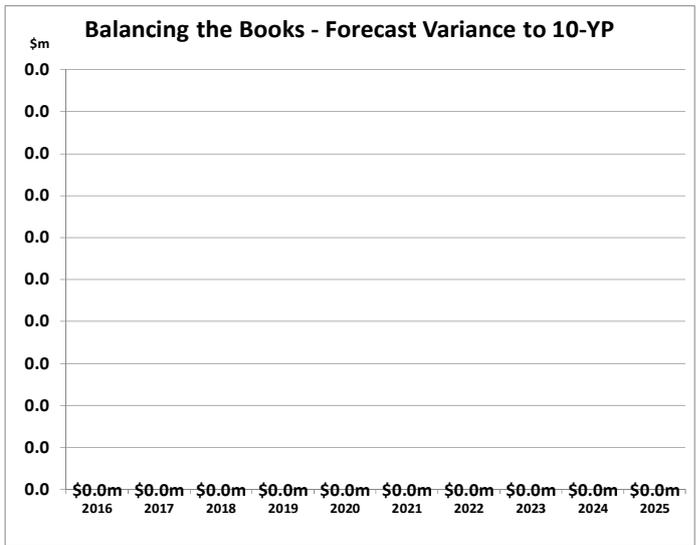
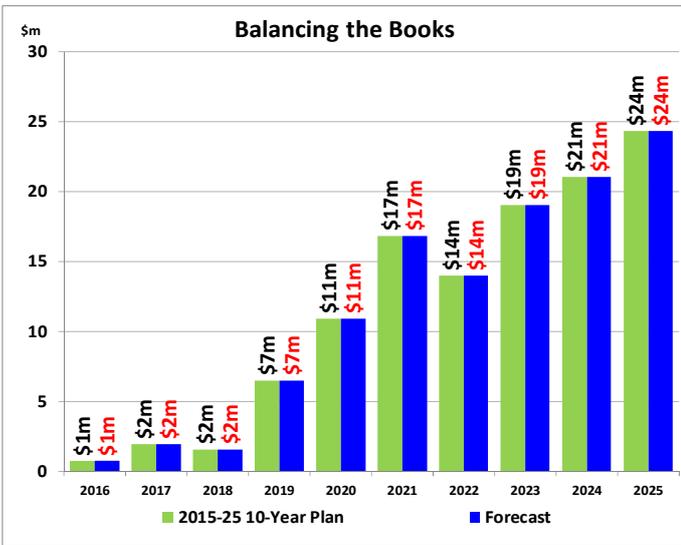
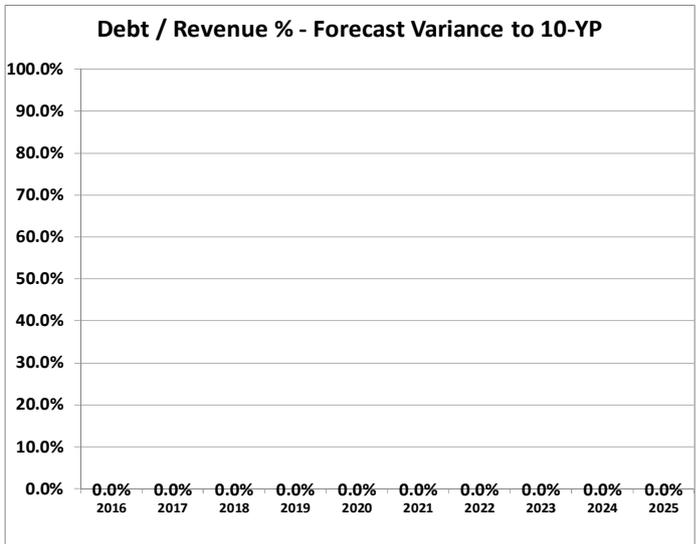
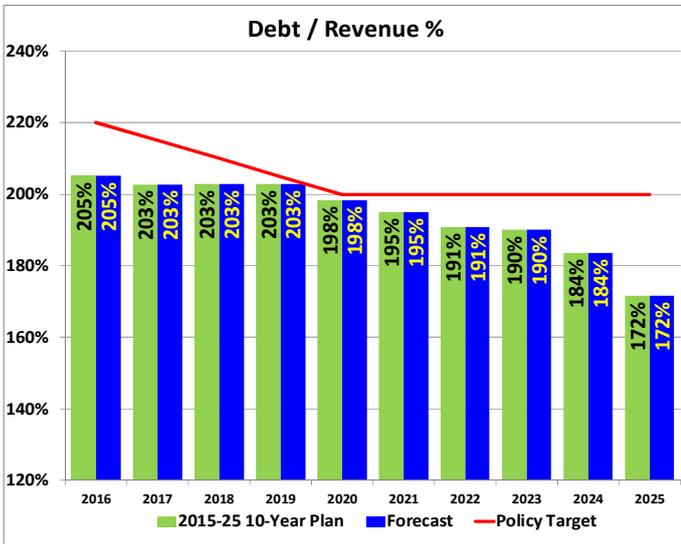
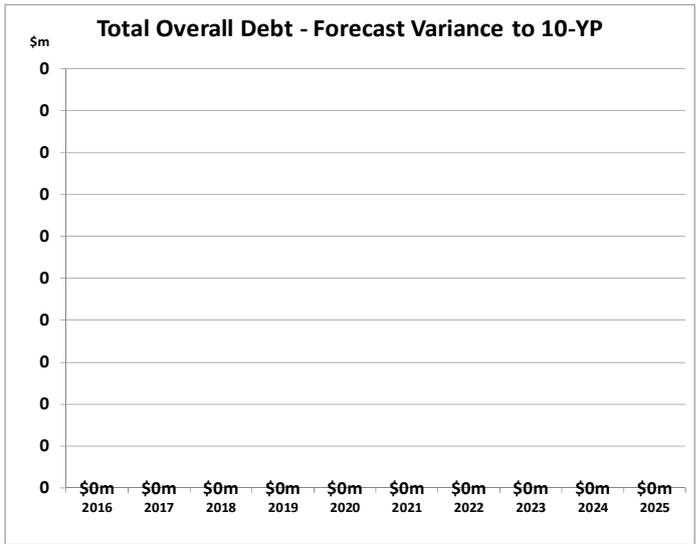
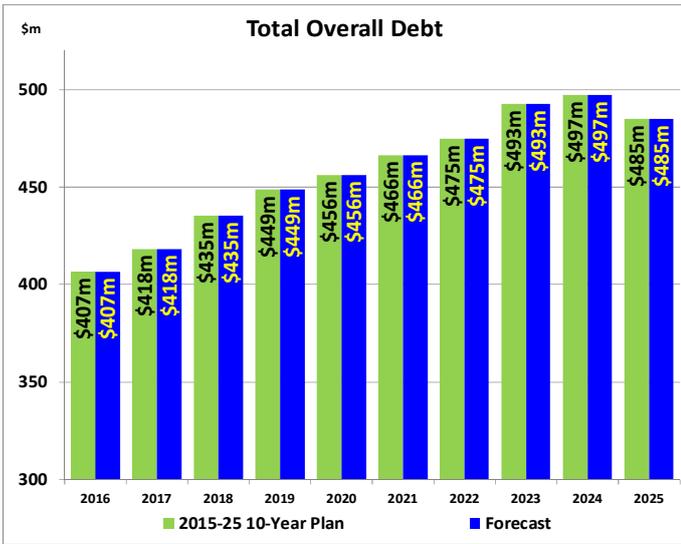
Remove entire Housing activity (except 1st half of 2016 and Overheads) from 10-Year Plan budget
 Sell for \$23.5m with 20% received immediately and 80% in 3 years time
 Estimated loss on sale of housing assets of \$7.312m

KEY INDICATORS - Option E : Don't sell and don't increase rent by 11% during 2016



Notes:
Remove 11% rent increase from 2nd half of 2016 and consequential impacts on future year rents

KEY INDICATORS - Option F : Don't sell but increase rent by 11% during 2016



Notes:
No change to the 10-Year Plan budget



Market Valuation and Tender Evaluation

Various Properties
HCC Pensioner Housing

Client: Hamilton City Council
Date: 30 October 2015

TelferYoung (Waikato) Limited

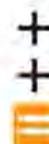


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5.0	Valuation Methodology.....	11
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Our Ref: WAI63293

TelferYoung
Wairarapa



30 October 2015

Hamilton City Council
PO Box 3010
HAMILTON 3240

Attention: Mr Ken Cunningham

Market Valuation **17 Pensioner Housing Developments, Hamilton City**

In accordance with instructions from Nicholas Wells we provide a summary of our market valuations of the Pensioner Housing properties detailed in our report dated 28 October 2015 and evaluation relative to the Tenders received.

The properties were inspected on 28 August 2015, being the effective date of our market valuations. At this time the tenders had been received (24 August 2015) however we were not party to those tenders until after we had finalised our valuation assessments.

Our valuations assessed the market value on the basis of the sale of all seventeen properties to one purchaser and subject to the conditions of sale specified in the tender.

This report must be read in conjunction with our full report dated 28 October 2015.



1.0 Executive Summary

1.1 Background

- + Council have indicated that they prefer to sell the portfolio as a whole as compared to individually or in smaller parcels of property. The benefits of this are;
 - + The transaction is complete on settlement.
 - + Not all properties will have the same demand and the potential for "cherry picking" is real, leaving administration of the residual, less desirable properties, till sold.
 - + The period to completely sell down all of the portfolio is uncertain
 - + The cost of administrating and managing the units can have a finite date both in terms of staff resource and capital expenditure.
 - + While the sale as a whole will attract some form of discount, it is apparent from the tenders received that there was no material premium (if any) received for individual or smaller parcels of the individual property.
 - + As a whole portfolio of 344 units, and with requirement to continue to provide social housing, there is efficiency through the critical mass for the owner.
- + The current property investment market is strong however this has not been highlighted in the number of, or quantum of tenders received underlining the impact that the encumbrance, as part of the conditions of sale, placed on value.
- + The encumbrance to continue to provide social housing caps rental cashflow below market with a consequential reduction in market value.
- + Our valuations covered a range of market scenarios, in summary;
 - + Council's current interest \$15,500,000 to \$18,043,000 dependent upon the implementation of an 11% rent increase
 - + Council's position if the policy for providing social housing was dropped \$30,085,000 (full market rental value achieved).
 - + With the encumbrance in place, as part of the sale conditions, but with the purchaser being able to realise additional rental growth through Income Related Rent Subsidy (IRRS) from the government over time, between \$16,900,000 to \$22,760,000
 - o The variation in our valuation is based on different models run that include
 - + Existing HCC rental levels now and with 11% increase
 - + Varying amount of IRRS income being received
 - + Reversion to market rentals at the end of the 10 year encumbrance versus continued social housing use
- + Two tenders were received for the sale of the whole portfolio, both by experienced social housing providers and both indicate that their purchase is for continued social housing use with some rationalisation and ongoing redevelopment of the stock over time.
- + The two tenderers were asked to resubmit their original tenders based on
 - + Option A The existing rental cashflow being in place at the date of settlement
 - + Option B The existing rental cashflow having been increased by 11% at the date of settlement
 - + Option C & D Council accepting deferred settlement on part of the sale price under both of the above two options.



- + Option A The received offers were \$14,525,000 and \$16,000,000 as compared to our comparable valuations between \$15,500,000 and \$18,350,000
- + Option B The received offers were \$17,500,000 and \$17,047,000 as compared to our comparable valuations between \$18,045,000 and \$ 22,760,000
- + Option C Only a single offer was received at \$23,000,000 subject to 80% being deferred 3 years with a net present value of \$20,048,995 as compared to our comparable valuations of between \$15,500,000 and 18,350,000
- + Option D Only a single offer was received at \$23,500,000 subject to 80% being deferred 3 years with a net present value of \$20,484,843 as compared to our comparable valuations of between \$18,045,000 and 22,760,000
- + The variation between the tender prices received with and without deferment highlight the perceived risk and cost of achieving rental growth.

1.2 Conclusion

- + We consider that the sale of the portfolio as a whole is the best option as a consequence of the requirement for the purchaser, under the terms of sale, to continue to provide social housing for at least 10 years.
- + Based on our consideration of the market value of the portfolio as a whole, under various valuation models, the acceptance, Council as vendor, of a deferred settlement allows a greater share of the value premium anticipated from rental growth potential to be obtained from the purchaser.



2.0 Assets Valued

Various Properties, Hamilton City

- + 9 Dinsdale Road & 26 Rothwell Street (18 Units)
- + 24 Gibson Road (26 Units)
- + 8 Koromiko Street (18 Units)
- + 8 Walker Terrace (4 Units)
- + 81 Livingstone Avenue (34 Units)
- + 46A Matai Street (12 Units)
- + 22 Stokes Crescent (8 Units)
- + 185 Sandwich Road & 20 English Street (9 Units)
- + 41 Donny Avenue (6 Units)
- + 52 Comries Road & 36 Chequers Avenue (36 Units)
- + 169 Bankwood Road (19 Units)
- + 187 Clarkin Road (27Units)
- + 310 Peachgrove Road (20 Units)
- + 1 Sullivan Crescent (19 Units)
- + 16 Crosher Place (35 Units)
- + 13 & 19 Graham Street (40 Units) as freehold
- + 30 Yvonne Street (13 Units)

2.1 Conditions of Valuation:

The valuations are subject to;

- + Our inspection of the properties being external inspection only of the residential units and the use of the plans provided, where available, and other detail as supplied from Council records.
- + The interior of the units being habitable and in an overall average standard of maintenance and decorative repair.
- + The properties being able to be used for general residential rental purposes under existing zoning and consents held as well as for social housing and pensioner housing.



3.0 Valuation Background

3.1 Brief Description

The portfolio contains 344, mainly one bedroom, pensioner housing units in 17 communal style complexes across the City. There are, at the date of the information release, 363 people living in the complexes.

The developments were principally built during the 1970's and 1980's and are single level with the exception of Graham Street and Livingstone Avenue where the development includes some two storey apartments.

The layout of the complexes is one of clusters of housing set on large sites with developed driveways, paths and garden and lawn surrounds. Provision is made for some on site car parking with several of the developments having car ports.

3.2 Council Conditions of Sale

The Council has resolved to sell its entire pensioner housing portfolio to social housing providers subject to the satisfaction of certain conditions. The Council will no longer provide pensioner housing as a Council service. The sale of the pensioner housing portfolio is subject to the following conditions:

- + That the properties (land and buildings) be used to provide social housing only.
- + That all existing tenants at the date of sale remain in the pensioner housing portfolio indefinitely - providing all current and on-going tenancy obligations are met.
- + That rent rises for existing tenants (after adjusting for accommodation supplements) are based on a cost recovery model benchmarked and capped against stipulated affordability and market rental indices (as detailed in Clause 4c of Appendix 2 to the Memorandum of Encumbrance)
- + That the overall number (344) of social housing units within the pensioner housing portfolio is maintained for 10 years so that there is no decrease in the overall number of units available for social housing in the city during this period (as detailed in Clause 4 of Appendix 2 to the Memorandum of Encumbrance). Council's intention is that the total number of units available for social housing across the city does not reduce as a consequence of this sale over the next 10 years.
- + Donny Avenue will be subject to an encumbrance to provide pensioner housing for a term of 999 years.

Any contract with a purchasing party for properties sold to social housing providers will be entered into subject to an encumbrance in favour of the Council affecting the land sold. This is to ensure the properties remain used for social housing purposes for the agreed minimum time of 10 years. The Council has legal remedies under the encumbrances in the event of a breach.

We are advised that both of the tenderers who have tendered for the whole portfolio have approached the Donny Charitable Trust with a view to having the 999 year encumbrance reduced.



3.3 Basis of Valuation

We were requested to assess a range of market values under various scenarios. This is for the purpose of assisting with the analysis and consideration of tender offers received for all or parts of the portfolio.

We have, under each scenario, considered the individual values of each property and then applied a "bulk discount" to the cumulative total of those individual values to reflect the acquisition of the whole portfolio by one purchaser.

The "bulk discount" will reflect a saving to the vendor of costs associated with the sale of multiple properties as well as the ability to realise the proceeds from the sale on one day rather than having that cash flow spread over a period of time as multiple purchasers are found. There is also allowance for the reduced risk of how long it might take to sell down all 17 properties.

We have approached this on the basis of a single entity acquiring all the properties for the purpose of on-selling to make a profit. As such a deduction for the costs of sale in terms of agent's fees and legal costs, a holding cost through the sell down period and a profit and risk margin have been included.

The five scenarios are explained as follows;

1) The existing rental regime

Subject to HCC continued ownership and existing Pensioner Housing Policy and the current level of rental being received but with an expected market increase (2%) occurring on an annual basis through the long term ownership.

2) The implementation of an 11% rent increase

Subject to HCC continued ownership and existing Pensioner Housing Policy and the current level of rental being received increased by the approved 11% then with an expected market increase (2%) occurring on an annual basis thereafter through the long term ownership

3) The implementation of the 11% rent increase and the HCC encumbrance with rental income including Income Related Rent Subsidy (7.5%) and the balance (92.5%) income at the lower level split (IRRS 7.5/92.5).

This is effectively the basis on which the tender prices will be received. The 11% rent increase approved by Council will have been effected by the date of sale. The purchaser will be encumbered to

- + continue to provide for existing tenants at the existing rental but subject to allowable market increase in accordance with social housing guidelines
- + provide for new tenants when vacancy occurs and potentially attract Income Related Rent Subsidies (IRRS) which will lift the rental to the owner to a full market level. Other rental income (non IRRS) will be subject to the social housing guidelines and will therefore remain below full market levels.
- + This encumbrance will remain for the period of time that existing tenants (at the date of sale) are still in occupation or 10 years whichever is the later



- 4) The implementation of an 11% rent increase and the HCC encumbrance with rental income including Income Related Rent Subsidy (25%) and the balance (75%) split (IRRS 25/75)

As above, effectively the basis on which tenderers will purchase. This is a variation of that which allows 25% (rather than 7.5%) of the new tenants will be able to receive IRRS support and therefore the owners cashflow will be reduced from the higher ratio of IRRS rental income as above.

- 5) The rental income being at market level

Subject to HCC continued ownership and dropping of the existing Pensioner Housing Policy with full market rental income being received including expected market increase occurring on an annual basis through the long term ownership

With respect to Scenarios 3 and 4, we have also included a variation (Scenarios 3A and 4A) that are subject to the encumbrance hypothetically being long term (in perpetuity). Under this variation, the full market rental income will not be achievable after year 10. The provision of social housing on a long term basis will restrict the cash flow in accordance with the 7.5/92.5 and the 25/75 ratio split of IRRS income adopted and the balance rebated rent.

The above scenarios provide a wide range of valuation outcome. This will allow assessment of the current Council position with either maintaining existing rentals or implementing the approved 11% increase against the terms on which the tenders will be received and then ultimately what the cost of social housing is in terms of the asset value unencumbered.

The variations within the IRRS models will also allow consideration of the impact, to third party ownership, of maintaining social housing.

The unlocking of the full market rental potential either through IRRS or when the encumbrance ends will be shown. The premium for unlocking this potential rental increase is in the hands of the purchasers as under current Council policy and without access to IRRS, the value of the assets to Council is limited to scenarios 1 and 2.

Subsequent to the tenders, we have been asked to provide two further scenario which will reflect the offer made by one of the tenderers in the "no rent increase" Option A, whereby they are allowing a 6% initial rent increase and not 11%. We have included the same 7.5/92.5 IRRS and 25/75 IRRS splits.



3.4 Income Related Rent Subsidy (IRRS)

The Ministry of Social Development has extended the availability of IRRS to registered community housing providers. This was previously only available to Housing New Zealand.

Income-related rent is a subsidised rent payable by a tenant. It is based on a percentage of a tenant's income and is less than the market rent of a property. The income-related rent subsidy paid to the housing provider by government is the difference between the income related rent and the market rent.

The changes took effect from 14 April 2014.

A document released by MSD dated 15 April 2015 outlines MSD purchasing intentions, how these were formed and how they will be implemented.

Within the Waikato Region, there is a budget for the next three years to acquire an additional 170 places. This will include 90 one bedroom places over that three year period in Hamilton City.

At the current time the combined stock of one bedroom places between Hamilton City Council (342) and Housing New Zealand (173) is 515. On the basis that turnover of tenants is 10% as evidenced from Council records of their own units, there would be 52 units available for the IRRS funding. Council's proportion of this is 34 units per year.

The MSD budget allows for 30 one bedroom units in Hamilton per year over the next 3 years leaving 22 units each year not funded on IRRS (42% of the supply is unfunded). In addition to the two above providers of one bedroom places there would be other church groups and social housing providers increasing the supply and further limiting the potential to get IRRS funding, this might equate to 50% of the supply each year not being able to get IRRS funding.

On this basis we assess that 5% of the new vacancy through the Council portfolio could be anticipated to achieve IRRS funding. This would grow cumulatively to 15% over the three years but there is no certainty beyond that this funding will continue.

We have reflected a proportion of IRRS funding on 7.5% and 25%. Realistically the level adopted at this time is more likely to be toward the lower end of the range of value indicated by these parameters.



4.0 Valuation Considerations

- + A large portfolio offering
 - + 17 properties either as a single purchase or
 - + 17 properties to multiple purchasers
- + Subject to encumbrance that limits cashflow at least through the initial 10 years
- + The sale to social housing providers will allow access to IRRS funded tenants
- + 344 units of which most are 1 bedroom units
 - + Some market resistance to larger complexes of all one unit type
- + The age of the buildings is typically between 30 and 40 years
 - + Extent of insulation and double glazing
- + Large site areas associated with most developments
 - + Underlying long term land value
 - + Additional week to week maintenance of lawns and gardens
 - + Maintenance of infrastructure (roading, underground services)
- + Strong current market investment demand
- + Political and perceived market issues around pensioner housing
 - + On-going management
 - + Implementing full market rentals at the end of the 10 year encumbrance
- + Market value as a property portfolio though market comparison

5.0 Valuation Methodology

To establish the Market Value of the property, we have utilised recognised valuation methodologies:

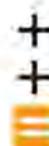
5.1 Income Approach

The Income Approach is predicated on the conversion of net actual or market income, which either is or could be generated by an owner of the interest, to value. The approach encompasses various methods to indicate value. Methods adopted in this instance include:

Income Capitalisation

This method encompasses the conversion of net income (actual, market or notional) to value via the application of a capitalisation rate or yield (investment return). The basic premise of income capitalisation is that a property investor expects a pre-determined rate of return on their investment. The yield varies according to a number of factors including: risk, type & scale of investment, location, residual lease term and expected income and capital value growth. The two main variables, namely income and yield, are analysed from available rental and sales evidence.

Implicit adjustments are made when determining an appropriate yield to apply, however, in instances where the contract rent varies from market rent, the present value of the variation is adjusted against the capitalised value. The capitalised value may also be adjusted for costs associated with vacancy if existing or imminent, refurbishment/incentives and capital expenditure.



Discounted Cash Flow

The Discounted Cash Flow (DCF) method is a variation of the Income Capitalisation Method whereby cash flows are explicitly forecast over a ten-year investment horizon. Allowances are made within the cash flow projection to account for the market's expectation of rental growth, or where appropriate, structured rental adjustments in accordance with the leases. Deductions for costs associated with property ownership are then made to establish the net annual cash flow. Costs of ownership may include: unrecovered outgoings, vacancy (actual or potential) and capital expenditure.

Having determined the net annual income, we then establish the terminal value of the property based on a hypothetical sale at the beginning of year 11 of the investment horizon, and discount the cash flows at a market based discount rate, as analysed from sales, reflecting the cost of capital, risk and required return. The aggregate of the present value of each cash flow establishes market value via this method.

The method is of particular relevance where cash flows or costs associated with ownership are irregular.

5.2 Investment Sales Summary

Address	Sale Date	Sale Price	Equivalent Net Yield	Discount Rate
103 Aurora Terrace	14 August 2015	\$825,000	5.26%	4.33%
21 Walker Terrace	1 September 2009	\$900,000	9.31%	12.24%
21 Walker Terrace	20 February 2014	\$1,480,000	6.05%	8.85%
93 Knighton Road	1 June 2015	\$1,587,000	5.70%	8.31%
4&4A Baffles Crescent	1 August 2015	\$1,800,000	8.44%	9.60%
22 Tainui Street	8 October 2014	\$1,900,000	5.47%	7.88%
Emmadale Lane	1 August 2015	\$5,200,000	8.07%	10.54%
49 Norton Road	14 October 2015	\$1,120,000	6.34%	7.19%
Yield Range			5.26% - 9.31%	
Discount Rate Range				4.33% - 12.24%

5.3 Investment Sales Discussion

The properties in the portfolio range from 4 units up to 40 units and are spread across the City, in the main they are situated in desirable rental locations particularly for pensioner housing. As such the nature of each property is slightly different through scale and suitability to different tenant markets given the varied locations.

The sales are from mixed locations and in the main are from the larger residential flat investment market.

Aurora Terrace, Walker Terrace, Tainui Street and Norton Road are perhaps typical of the investment flat market and show net yields of between 5.26% and 6.05%. The Internal Rate of Return from these same properties is also similar (excepting Aurora Terrace) at between 7.88% and 8.85%.

We have excluded the earlier Walker Terrace sale as this was from Council to the open market and the purchaser spent significant capital on upgrade. The market has also improved markedly since that time.

Baffles Crescent and Emmadale Lane are larger and are considered to be more specific to the student market with more inherent management. They show a higher net return of around 8.07% to 8.44% and IRR of 9.6% to 10.54%.



Our valuations have adopted a range of Net Equivalent Yield between 6.5% and 7.9%. The variation being for factors such as the size of the development (number of units), location in terms of wider market to tenants and overall standard of development and layout.

The exception to this is the property at 1 Sullivan Crescent that shows a low net yield as a consequence of a net land value having been added to the valuation for the vacant developable land that forms part of the property. Until developed this reduces the return from the existing cash flow.

The Internal Rate of Return or discount rate used in the Discounted Cash Flow approach is at the higher end of the range again reflecting the nature of the development. The adopted rate sits between 9.0% and 10.5%.

5.4 Valuation as single line transaction

Each of the properties has been valued individually under each of the above scenarios and through the Income Capitalisation and a Discounted Cashflow approaches. These individual values are shown in the attached appendices for each property.

The adopted value for each property is the mid-point of the two approaches.

The market value of the portfolio (a single line transaction) is the sum of each individual values less estimated selling costs that include agents fees, legal costs, finance holding costs through the sell down (off set by net rental income received) and an allowance for profit and risk.

The market is particularly strong at the moment and we have allowed a sell down period of 12 months. This has regard to the nature of the properties and the conditions of sale. While we would anticipate that the first and better considered properties would sell quite quickly, it may take further time to sell the balance and perceived less desirable properties.

The profit and risk allowance of 7.5% also reflects the current market optimism around the on sale of the 17 properties.



6.0 Valuation Summary

Existing Rental

Market Value - Existing Rental		Valuation						OPEX	Net Cashflow
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR	Valuation \$/unit	\$/unit	(Year 1)	
29 Dinsdale Road & 26 Rothwell Street	18	\$ 870,000	12.26%	7.09%	9.31%	\$ 48,333	\$ 2,055	\$ 61,655	
24 Gibson Road	26	\$ 1,170,000	11.77%	7.38%	9.69%	\$ 45,000	\$ 1,938	\$ 86,383	
8 Koromiko Street	18	\$ 880,000	12.40%	7.09%	9.33%	\$ 48,889	\$ 2,142	\$ 62,400	
9 Walker Terrace	4	\$ 235,000	10.09%	6.31%	8.38%	\$ 58,750	\$ 1,771	\$ 14,840	
81 Livingstone Avenue	34	\$ 1,750,000	10.98%	7.79%	9.87%	\$ 51,471	\$ 1,539	\$ 136,342	
46A Matai Street	12	\$ 655,000	11.51%	7.07%	9.03%	\$ 54,583	\$ 1,955	\$ 46,293	
22 Stokes Crescent	8	\$ 390,000	12.15%	7.00%	9.14%	\$ 48,750	\$ 2,067	\$ 27,307	
185 Sandwich Road & 20 English Street	9	\$ 450,000	11.76%	6.88%	9.12%	\$ 50,000	\$ 1,999	\$ 30,965	
41 Donny Avenue	6	\$ 330,000	9.77%	6.40%	8.63%	\$ 55,000	\$ 2,745	\$ 21,038	
52 Cornies Road & 36 Chequers Avenue	36	\$ 1,520,000	12.53%	7.51%	9.72%	\$ 42,222	\$ 1,906	\$ 114,127	
169 Bankwood Road	19	\$ 975,000	11.67%	7.09%	9.28%	\$ 51,316	\$ 1,876	\$ 69,080	
187 Clarkin Road	27	\$ 1,395,000	11.83%	7.30%	9.33%	\$ 51,667	\$ 1,878	\$ 101,878	
310 Peachgrove Road	20	\$ 995,000	11.31%	7.76%	9.95%	\$ 49,750	\$ 1,622	\$ 77,168	
1 Sullivan Crescent	19	\$ 1,840,000	6.32%	3.79%	9.27%	\$ 96,842	\$ 1,987	\$ 69,653	
16 Crosher Place	35	\$ 1,220,000	13.72%	7.74%	10.02%	\$ 34,857	\$ 2,129	\$ 94,382	
13 & 19 Graham Street	40	\$ 1,915,000	11.31%	7.81%	9.84%	\$ 47,875	\$ 1,602	\$ 149,585	
30 Yvonne Street	13	\$ 680,000	11.69%	6.97%	9.05%	\$ 52,308	\$ 2,010	\$ 47,426	
								\$ 1,210,522	
Gross Realisation		\$ 17,270,000					Monthly Net Cash Flow	\$ 100,877	
		\$ 50,203 per unit						\$ 100,877	
less								\$ 100,877	
Selling Costs (incl Marketing)	3.00%	\$ 518,100						\$ 100,877	
Legal Costs	17 \$ 5,000	\$ 85,000						\$ 100,877	
Holding Costs	12.0 mths 6.50%	\$ 561,275						\$ 100,877	
Profit & Risk	7.5%	\$ 1,204,884						\$ 100,877	
Total Cost of Sale		\$ 2,369,259	\$ 2,370,000				Net Present Value 6 mths	\$596,553	
		\$ 14,900,000					Discount Rate 7.0%		
NPV Income Offset while selling		\$ 597,000							
Market Value Existing Rental		344 units	\$ 15,497,000						
			adopt \$ 15,500,000						
			\$ 45,049 per unit						



Reviewed Rental (11% Increase)

Market Value - Reviewed Rental (11% Increase)		Valuation				OPEX	Net Cashflow
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR	Valuation \$/unit	\$/unit (Year 1)
29 Dinsdale Road & 26 Rothwell Street	18	\$ 1,025,000	10.40%	7.10%	9.32%	\$ 56,944	\$ 2,055
24 Gibson Road	26	\$ 1,380,000	9.98%	7.41%	9.71%	\$ 53,077	\$ 1,938
8 Koromiko Street	18	\$ 1,035,000	10.55%	7.10%	9.33%	\$ 57,500	\$ 2,142
9 Walker Terrace	4	\$ 270,000	8.78%	6.41%	8.58%	\$ 67,500	\$ 1,771
81 Livingstone Avenue	34	\$ 2,025,000	9.49%	7.80%	9.89%	\$ 59,559	\$ 1,539
46A Matai Street	12	\$ 775,000	9.73%	7.13%	9.17%	\$ 64,583	\$ 1,955
22 Stokes Crescent	8	\$ 460,000	10.30%	7.01%	9.13%	\$ 57,500	\$ 2,067
185 Sandwich Road & 20 English Street	9	\$ 530,000	9.99%	6.88%	9.10%	\$ 58,889	\$ 1,999
41 Donny Avenue	6	\$ 415,000	9.77%	6.40%	8.63%	\$ 69,167	\$ 2,745
52 Comries Road & 36 Chequers Avenue	36	\$ 1,800,000	10.58%	7.61%	9.90%	\$ 50,000	\$ 1,906
169 Bankwood Road	19	\$ 1,140,000	9.98%	7.09%	9.28%	\$ 60,000	\$ 1,876
187 Clarkin Road	27	\$ 1,620,000	10.18%	7.32%	9.36%	\$ 60,000	\$ 1,878
310 Peachgrove Road	20	\$ 1,155,000	9.75%	7.75%	9.91%	\$ 57,750	\$ 1,622
1 Sullivan Crescent	19	\$ 2,000,000	5.82%	4.07%	9.32%	\$ 105,263	\$ 1,997
16 Crosher Place	35	\$ 1,485,000	11.27%	7.78%	10.02%	\$ 42,429	\$ 2,129
13 & 19 Graham Street	40	\$ 2,190,000	9.89%	7.84%	9.89%	\$ 54,750	\$ 1,602
30 Yvonne Street	13	\$ 795,000	10.00%	6.97%	9.05%	\$ 61,154	\$ 2,010
		\$ 20,100,000					\$ 1,386,501
Gross Realisation		\$ 58,430.23	per unit			Monthly Net Cash Flow	\$ 115,542
less							\$ -115,542
Selling Costs (incl Marketing)	3.00%	\$ 603,000					\$ 115,542
Legal Costs	17	\$ 85,000					\$ 115,542
Holding Costs	12.0 mths	6.50%	\$ 653,250				\$ 115,542
Profit & Risk	7.5%	\$ -1,402,326					\$ -115,542
Total Cost of Sale		\$ 2,743,576				Net Present Value	6 mths \$683,276.62
		\$ 17,360,000				Discount Rate	7.0%
NPV Income Offset while selling		\$ 683,000					
Market Value Existing Rental	344 units	\$ 18,043,000					
		adopt \$ 18,045,000					
		\$ 52,451	per unit				



IRRS 7.5/92.5 (with 11% Increase) Market after 10 years

Market Value - IRRS 7.5/92.5 (with 11% Increase) Market after 10 years		Valuation					OPEX \$/unit	Net Cashflow
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR	Valuation \$/unit		
29 Dinsdale Road & 26 Rothwell Street	18	\$ 1,350,000	8.80%	7.02%	10.16%	\$ 75,000	\$ 2,055	\$ 72,894
24 Gibson Road	26	\$ 1,737,000	8.85%	7.25%	10.74%	\$ 66,808	\$ 1,938	\$ 67,925
8 Koromiko Street	18	\$ 1,295,000	9.37%	7.04%	10.07%	\$ 71,944	\$ 2,142	\$ 73,639
9 Walker Terrace	4	\$ 352,000	7.50%	6.23%	9.22%	\$ 88,000	\$ 1,771	\$ 1,738
81 Livingstone Avenue	34	\$ 2,390,000	8.97%	7.79%	10.79%	\$ 70,294	\$ 1,539	\$ 157,549
46A Matai Street	12	\$ 982,000	8.68%	7.03%	9.88%	\$ 81,833	\$ 1,955	\$ 55,356
22 Stokes Crescent	8	\$ 580,000	9.10%	6.88%	9.67%	\$ 72,500	\$ 2,067	\$ 32,302
185 Sandwich Road & 20 English Street	9	\$ 652,000	9.04%	6.64%	9.85%	\$ 72,444	\$ 1,999	\$ 26,805
41 Donny Avenue	6	\$ 440,000	10.59%	6.32%	8.61%	\$ 73,333	\$ 2,745	\$ 26,634
52 Comries Road & 36 Chequers Avenue	36	\$ 2,335,000	9.15%	7.45%	10.76%	\$ 64,861	\$ 1,906	\$ 114,816
169 Bankwood Road	19	\$ 1,407,000	9.02%	7.23%	10.20%	\$ 74,053	\$ 1,876	\$ 80,943
187 Clarkin Road	27	\$ 2,000,000	9.16%	7.30%	10.28%	\$ 74,074	\$ 1,878	\$ 118,736
310 Peachgrove Road	20	\$ 1,420,000	8.83%	7.53%	10.58%	\$ 71,000	\$ 1,622	\$ 89,839
1 Sullivan Crescent	19	\$ 2,350,000	5.50%	4.94%	10.13%	\$ 78,684	\$ 1,997	\$ 81,516
16 Crosher Place	35	\$ 1,975,000	9.53%	7.64%	11.20%	\$ 56,429	\$ 2,129	\$ 114,831
13 & 19 Graham Street	40	\$ 2,637,000	9.19%	7.76%	10.84%	\$ 65,925	\$ 1,602	\$ 171,599
30 Yvonne Street	13	\$ 982,000	8.99%	6.95%	9.77%	\$ 75,538	\$ 2,010	\$ 55,543

Gross realisation	\$ 24,884,000	Monthly Net Cash Flow	\$ 1,342,665
less	\$ 72,337 per unit		\$ 111,889
Selling Costs (incl Marketing) 3.00%	\$ 746,520		\$ 111,889
Legal Costs 17 \$ 5,000	\$ 85,000		\$ 111,889
Holding Costs 12.0 mths 6.50%	\$ 808,730		\$ 111,889
Profit & Risk 7.5%	\$ 1,736,093		
Total Cost of Sale	\$ 3,376,343	Net Present Value 6 mths	\$661,674
	\$ 3,380,000	Discount Rate 7.0%	
NPV Income Offset while selling	\$ 662,000		
Market Value Existing Rental 344 units	\$ 22,166,000		
	adopt \$ 22,190,000		
	\$ 64,436 per unit		

Local Knowledge, National Coverage

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IRRS 7.5/92.5 (with 11% Increase) – Ongoing Social Housing Use

Market Value - IRRS 7.5/92.5 (with 11% Increase)		Valuation				Valuation \$/unit	OPEX \$/unit	Net Cashflow (Year 1)
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR			
29 Dinsdale Road & 26 Rothwell Street	18	\$ 1,040,000	11.42%	7.21%	9.48%	\$ 57,778	\$ 2,055	\$ 72,894
24 Gibson Road	25	\$ 1,345,000	11.43%	7.38%	10.22%	\$ 51,731	\$ 1,938	\$ 67,925
8 Koromiko Street	18	\$ 1,040,000	11.66%	7.23%	9.54%	\$ 57,778	\$ 2,142	\$ 73,639
9 Walker Terrace	4	\$ 280,000	9.43%	6.34%	8.54%	\$ 70,000	\$ 1,771	\$ 1,738
81 Livingstone Avenue	34	\$ 2,015,000	10.64%	7.99%	10.22%	\$ 59,265	\$ 1,539	\$ 157,549
46A Matai Street	12	\$ 785,000	10.85%	7.22%	9.27%	\$ 65,417	\$ 1,955	\$ 55,356
22 Stokes Crescent	8	\$ 475,000	11.12%	6.94%	9.15%	\$ 59,375	\$ 2,067	\$ 32,302
185 Sandwich Road & 20 English Street	9	\$ 537,000	10.98%	6.80%	9.21%	\$ 59,667	\$ 1,999	\$ 26,805
41 Donny Avenue	6	\$ 440,000	10.59%	6.32%	8.61%	\$ 73,333	\$ 2,745	\$ 26,634
52 Comries Road & 36 Chequers Avenue	36	\$ 1,800,000	11.86%	7.68%	10.12%	\$ 50,000	\$ 1,906	\$ 114,816
169 Bankwood Road	19	\$ 1,145,000	11.09%	7.24%	9.52%	\$ 60,263	\$ 1,876	\$ 80,943
187 Clarkin Road	27	\$ 1,615,000	11.34%	7.51%	9.70%	\$ 59,815	\$ 1,878	\$ 118,736
310 Peachgrove Road	20	\$ 1,185,000	10.58%	7.70%	10.00%	\$ 59,250	\$ 1,622	\$ 89,839
1 Sullivan Crescent	19	\$ 2,015,000	6.41%	4.21%	9.50%	\$ 106,053	\$ 1,997	\$ 81,516
16 Crosher Place	35	\$ 1,500,000	12.55%	7.97%	10.41%	\$ 42,857	\$ 2,129	\$ 114,831
13 & 19 Graham Street	40	\$ 2,190,000	11.06%	8.01%	10.18%	\$ 54,750	\$ 1,602	\$ 171,599
30 Yvonne Street	13	\$ 800,000	11.04%	7.09%	9.21%	\$ 61,538	\$ 2,010	\$ 55,543
								\$ 1,342,665
Gross realisation		\$ 20,207,000					Net Monthly Cash Flow	\$ 111,889
		\$ 58,741 per unit						\$ 111,889
less								\$ 111,889
Selling Costs (incl Marketing)	3.00%	\$ 606,210						\$ 111,889
Legal Costs	17 \$ 5,000	\$ 85,000						\$ 111,889
Holding Costs	12.0 mths 6.50%	\$ 656,728						\$ 111,889
Profit & Risk	7.5%	\$ 1,409,791						\$ 111,889
Total Cost of Sale		\$ 2,757,728	\$ 2,760,000				Net Present Value 6 mths	\$ 661,674
			\$ 17,447,000				Discount Rate	7.0%
NPV Income Offset while selling			\$ 662,000					
Market Value IRRS 7.5/92.5 (with 11% Increase)		344 units	\$ 18,109,000					
			adopt \$ 18,180,000					
			\$ 52,642 per unit					



IRRS 7.5/92.5 (with 6% Increase) Ongoing Social Housing Use

Market Value – IRRS 7.5/92.5 (with 6% Increase)		Valuation					OPEX	Net Cashflow
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR	Valuation \$/unit	\$/unit	(Year 1)
29 Dinsdale Road & 26 Rothwell Street	18	\$ 965,000	11.70%	7.23%	9.57%	\$ 53,611	\$ 2,055	\$ 67,483
24 Gibson Road	26	\$ 1,247,000	11.69%	7.38%	10.26%	\$ 47,962	\$ 1,938	\$ 61,864
8 Koromiko Street	18	\$ 975,000	11.86%	7.21%	9.50%	\$ 54,167	\$ 2,142	\$ 68,367
9 Walker Terrace	4	\$ 260,000	9.65%	6.39%	8.67%	\$ 65,000	\$ 1,771	\$ 16,135
81 Livingstone Avenue	34	\$ 1,895,000	10.77%	7.99%	10.22%	\$ 55,735	\$ 1,539	\$ 147,489
46A Matal Street	12	\$ 737,000	11.05%	7.24%	9.32%	\$ 61,417	\$ 1,955	\$ 51,887
22 Stokes Crescent	8	\$ 440,000	11.41%	6.97%	9.24%	\$ 55,000	\$ 2,067	\$ 29,897
185 Sandwich Road & 20 English Street	9	\$ 500,000	11.21%	6.80%	9.24%	\$ 55,556	\$ 1,999	\$ 24,646
41 Donny Avenue	6	\$ 387,000	11.10%	6.36%	8.73%	\$ 64,500	\$ 2,745	\$ 23,258
52 Comries Road & 36 Chequers Avenue	36	\$ 1,665,000	12.11%	7.67%	10.13%	\$ 46,250	\$ 1,906	\$ 104,714
169 Bankwood Road	19	\$ 1,072,000	11.27%	7.23%	9.53%	\$ 56,421	\$ 1,876	\$ 75,301
187 Clarkin Road	27	\$ 1,517,000	11.52%	7.51%	9.70%	\$ 56,185	\$ 1,878	\$ 110,896
310 Peachgrove Road	20	\$ 1,110,000	10.74%	7.71%	10.03%	\$ 55,500	\$ 1,622	\$ 83,849
1 Sullivan Crescent	19	\$ 1,940,000	6.35%	4.10%	9.56%	\$ 102,105	\$ 1,997	\$ 76,013
16 Crosher Place	35	\$ 1,375,000	12.89%	7.92%	10.36%	\$ 39,286	\$ 2,129	\$ 103,763
13 & 19 Graham Street	40	\$ 2,040,000	11.25%	8.02%	10.22%	\$ 51,000	\$ 1,602	\$ 159,203
30 Yvonne Street	13	\$ 747,000	11.28%	7.12%	9.28%	\$ 57,462	\$ 2,010	\$ 51,774

Gross realisation		\$ 18,872,000						\$ 1,256,539
		\$ 54,860	per unit				Monthly Net Cash Flow	\$ 104,712
less								\$ 104,712
Selling Costs (incl Marketing)	3.00%	\$ 566,160						\$ 104,712
Legal Costs	16	\$ 5,000	\$ 80,000					\$ 104,712
Holding Costs	12.0 mths	6.50%	\$ 613,340					\$ 104,712
Profit & Risk	7.5%	\$ 1,316,651						\$ 104,712
Total Cost of Sale		\$ 2,576,151	\$ 2,580,000				Net Present Value	6 mths \$ 619,231
			\$ 16,292,000				Discount Rate	7.0%
NPV Income Offset while selling			\$ 619,000					
Market Value (6% Increase)	344 units	\$ 16,911,000						
		adopt	\$ 16,910,000					
			\$ 49,160	per unit				

Local Knowledge. National Coverage

Our Role: WAHBBEST
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IRRS 25/75 (with 11% Increase) Market after 10 years

Market Value - IRRS 25/75 (with 11% Increase) Market after 10 years		Valuation				OPEX \$/unit	Net Cashflow (Year 1)
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR		
29 Dinsdale Road & 26 Rothwell Street	18	\$ 1,385,000	8.58%	7.05%	10.04%	\$ 76,944	\$ 2,055
24 Gibson Road	26	\$ 1,800,000	8.54%	7.21%	10.77%	\$ 69,231	\$ 1,938
8 Koromiko Street	18	\$ 1,320,000	9.19%	7.05%	10.00%	\$ 73,333	\$ 2,142
9 Walker Terrace	4	\$ 370,000	7.14%	6.07%	9.04%	\$ 92,500	\$ 1,771
81 Livingstone Avenue	34	\$ 2,437,000	8.80%	7.80%	10.72%	\$ 71,676	\$ 1,539
46A Matai Street	12	\$ 1,000,000	8.52%	7.05%	9.83%	\$ 83,333	\$ 1,955
22 Stokes Crescent	8	\$ 637,000	8.29%	6.46%	9.42%	\$ 79,625	\$ 2,067
185 Sandwich Road & 20 English Street	9	\$ 662,000	8.90%	6.65%	9.60%	\$ 73,556	\$ 1,999
41 Donny Avenue	6	\$ 485,000	9.61%	6.34%	8.77%	\$ 80,833	\$ 2,745
52 Comries Road & 36 Chequers Avenue	36	\$ 2,400,000	8.90%	7.49%	10.65%	\$ 66,667	\$ 1,906
169 Bankwood Road	19	\$ 1,472,000	9.12%	7.37%	10.84%	\$ 77,474	\$ 1,876
187 Clarkin Road	27	\$ 2,037,000	8.99%	7.32%	10.24%	\$ 75,444	\$ 1,878
310 Peachgrove Road	20	\$ 1,450,000	8.65%	7.54%	10.49%	\$ 72,500	\$ 1,622
1 Sullivan Crescent	19	\$ 2,382,000	5.42%	4.95%	10.06%	\$ 80,368	\$ 1,997
16 Croslier Place	35	\$ 2,037,000	9.24%	7.67%	11.10%	\$ 58,200	\$ 2,129
13 & 19 Graham Street	40	\$ 2,665,000	9.09%	7.83%	10.68%	\$ 66,625	\$ 1,602
30 Yvonne Street	13	\$ 1,000,000	8.83%	6.96%	9.70%	\$ 76,923	\$ 2,010

Gross realisation		\$ 25,539,000		Monthly Net Cash Flow	\$ 1,362,586
		\$ 74,241 per unit			\$ 113,548.83
less					\$ 113,549
Selling Costs (incl Marketing)	3.00%	\$ 766,170			\$ 113,549
Legal Costs	17	\$ 5,000	\$ 85,000		\$ 113,549
Holding Costs	12.0 mths	6.50%	\$ 830,018		\$ 113,549
Profit & Risk	7.5%	\$ 1,781,791			\$ 113,549
Total Cost of Sale		\$ 3,462,978	\$ 3,460,000	Net Present Value	6 mths \$671,491
			\$ 22,079,000	Discount Rate	7.0%
NPV Income Offset while selling			\$ 671,000		
Market Value Existing Rental	344 units		\$ 22,750,000		
		adopt	\$ 22,760,000		
			\$ 66,134 per unit		



IRRS 25/75 (with 11% Increase) – Ongoing Social Housing Use

Market Value - IRRS 25/75 (with 11% Increase)		Valuation					OPEX \$/unit	Net Cashflow (Year 1)		
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR	Valuation \$/unit				
29 Dinsdale Road & 26 Rothwell Street	18	\$ 1,130,000	10.51%	7.18%	9.56%	\$ 62,778	\$ 2,055	\$ 72,894		
24 Gibson Road	26	\$ 1,465,000	10.49%	7.36%	10.28%	\$ 56,346	\$ 1,938	\$ 68,312		
8 Koromiko Street	18	\$ 1,115,000	10.88%	7.20%	9.57%	\$ 61,944	\$ 2,142	\$ 73,639		
9 Walker Terrace	4	\$ 300,000	8.80%	6.33%	8.62%	\$ 75,000	\$ 1,771	\$ 17,338		
81 Livingstone Avenue	34	\$ 2,135,000	10.04%	7.96%	10.27%	\$ 62,794	\$ 1,539	\$ 158,336		
46A Matai Street	12	\$ 840,000	10.14%	7.21%	9.37%	\$ 70,000	\$ 1,955	\$ 55,356		
22 Stokes Crescent	8	\$ 505,000	10.46%	6.96%	9.29%	\$ 63,125	\$ 2,067	\$ 32,302		
185 Sandwich Road & 20 English Street	9	\$ 570,000	10.34%	6.77%	9.25%	\$ 63,333	\$ 1,999	\$ 26,812		
41 Donny Avenue	6	\$ 485,000	9.61%	6.34%	8.77%	\$ 80,833	\$ 2,745	\$ 26,634		
52 Comries Road & 36 Chequers Avenue	36	\$ 1,960,000	10.90%	7.66%	10.19%	\$ 54,444	\$ 1,906	\$ 115,219		
169 Bankwood Road	19	\$ 1,230,000	10.32%	7.22%	9.60%	\$ 64,737	\$ 1,876	\$ 80,943		
187 Clarkin Road	27	\$ 1,730,000	10.59%	7.47%	9.74%	\$ 64,074	\$ 1,878	\$ 118,736		
310 Peachgrove Road	20	\$ 1,255,000	9.99%	7.70%	10.08%	\$ 62,750	\$ 1,622	\$ 90,268		
1 Sullivan Crescent	19	\$ 2,110,000	6.12%	4.40%	9.59%	\$ 111,053	\$ 1,997	\$ 81,516		
16 Crosher Place	35	\$ 1,660,000	11.34%	7.91%	10.43%	\$ 47,429	\$ 2,129	\$ 116,278		
13 & 19 Graham Street	40	\$ 2,325,000	10.42%	7.98%	10.23%	\$ 58,125	\$ 1,602	\$ 172,460		
30 Yvonne Street	13	\$ 850,000	10.39%	7.10%	9.31%	\$ 65,385	\$ 2,010	\$ 55,543		
Gross realisation		\$ 21,665,000						Net Monthly Cash Flow	\$ 1,362,586	
less		\$ 62,980 per unit							\$ 113,549	
Selling Costs (incl Marketing)	3.00%	\$ 649,950							\$ 113,549	
Legal Costs	17 \$ 5,000	\$ 85,000							\$ 113,549	
Holding Costs	12.0 mths 6.50%	\$ 704,113							\$ 113,549	
Profit & Risk	7.5%	\$ 1,511,512							\$ 113,549	
Total Cost of Sale		\$ 2,950,574	\$ 2,950,000						Net Present Value 6 mths	\$ 671,491
			\$ 18,715,000						Discount Rate	7.0%
NPV Income Offset while selling			\$ 671,000							
Market Value IRRS 25/75 (with 11% Increase)	344 units	\$ 19,386,000								
		adopt	\$ 19,420,000							
			\$ 56,355 per unit							

Local Knowledge, National Coverage

Our Ref: WAH5867
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IRRS 25/75 (with 6% Increase) Ongoing Social Housing Use

Market Value - Reviewed Rental (6% Increase)		Valuation						
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR	Valuation \$/unit	OPEX \$/unit	Net Cashflow (Year 1)
29 Dinsdale Road & 26 Rothwell Street	18	\$ 1,065,000	10.61%	7.19%	9.62%	\$ 59,167	\$ 2,055	\$ 67,483
24 Gibson Road	26	\$ 1,380,000	10.57%	7.36%	10.32%	\$ 53,077	\$ 1,938	\$ 62,293
8 Koromiko Street	18	\$ 1,055,000	10.96%	7.19%	9.59%	\$ 58,611	\$ 2,142	\$ 68,367
9 Walker Terrace	4	\$ 282,000	8.90%	6.38%	8.79%	\$ 70,500	\$ 1,771	\$ 16,135
81 Livingstone Avenue	34	\$ 2,035,000	10.07%	7.96%	10.30%	\$ 59,853	\$ 1,539	\$ 149,065
46A Matai Street	12	\$ 800,000	10.18%	7.20%	9.39%	\$ 66,667	\$ 1,955	\$ 51,887
22 Stokes Crescent	8	\$ 475,000	10.57%	6.97%	9.36%	\$ 59,375	\$ 2,067	\$ 29,897
185 Sandwich Road & 20 English Street	9	\$ 540,000	10.38%	6.74%	9.21%	\$ 60,000	\$ 1,999	\$ 24,654
41 Donny Avenue	6	\$ 465,000	9.67%	6.34%	8.81%	\$ 77,500	\$ 2,745	\$ 25,108
52 Comries Road & 36 Chequers Avenue	36	\$ 1,840,000	10.96%	7.65%	10.22%	\$ 51,111	\$ 1,906	\$ 105,157
169 Bankwood Road	19	\$ 1,167,000	10.36%	7.21%	9.60%	\$ 61,421	\$ 1,876	\$ 75,301
187 Clarkin Road	27	\$ 1,640,000	10.65%	7.48%	9.79%	\$ 60,741	\$ 1,878	\$ 110,896
310 Peachgrove Road	20	\$ 1,190,000	10.02%	7.70%	10.12%	\$ 59,500	\$ 1,622	\$ 84,331
1 Sullivan Crescent	19	\$ 2,047,000	6.02%	4.33%	9.61%	\$ 107,737	\$ 1,997	\$ 76,013
16 Crosher Place	35	\$ 1,545,000	11.47%	7.89%	10.45%	\$ 44,143	\$ 2,129	\$ 105,366
13 & 19 Graham Street	40	\$ 2,195,000	10.45%	7.98%	10.26%	\$ 54,875	\$ 1,602	\$ 160,160
30 Yvonne Street	13	\$ 807,000	10.44%	7.08%	9.32%	\$ 62,077	\$ 2,010	\$ 51,774

Gross realisation		\$ 20,528,000		Monthly Net Cash Flow	\$ 1,263,887
		\$ 59,674 per unit			\$ 105,324
less					\$ 105,324
Selling Costs (incl Marketing)	3.00%	\$ 615,840			\$ 105,324
Legal Costs	16 \$ 5,000	\$ 80,000			\$ 105,324
Holding Costs	12.0 mths 6.50%	\$ 667,160			\$ 105,324
Profit & Risk	7.5%	\$ 1,432,186			
Total Cost of Sale		\$ 2,795,186	\$ 2,800,000	Net Present Value 6 mths	\$ 622,852
			\$ 17,728,000	Discount Rate 7.0%	
NPV Income Offset while selling			\$ 623,000		
Market Value (6% Increase)	344 units		\$ 18,351,000		
		adopt	\$ 18,350,000		
			\$ 53,346 per unit		



Market Value without Encumbrance

Market Value without Encumbrance		Valuation				Valuation \$/unit	OPEX \$/unit	Net Cashflow (Year 1)
Address	No. of Units	Value	Gross Yield	Eq Yield	IRR			
29 Dinsdale Road & 26 Rothwell Street	18	\$ 1,870,000	9.63%	6.93%	9.12%	\$ 103,889	\$ 2,055	\$ 129,504
24 Gibson Road	26	\$ 2,490,000	10.08%	7.30%	9.43%	\$ 95,769	\$ 1,938	\$ 181,773
8 Koromiko Street	18	\$ 1,730,000	9.88%	6.91%	9.11%	\$ 96,111	\$ 2,142	\$ 119,612
9 Walker Terrace	4	\$ 475,000	8.00%	5.91%	7.95%	\$ 118,750	\$ 1,771	\$ 28,068
81 Livingstone Avenue	34	\$ 3,090,000	10.26%	7.80%	9.89%	\$ 90,882	\$ 1,539	\$ 240,878
46A Matal Street	12	\$ 1,300,000	9.42%	6.91%	8.97%	\$ 108,333	\$ 1,955	\$ 89,858
22 Stokes Crescent	8	\$ 780,000	9.49%	6.66%	8.81%	\$ 97,500	\$ 2,067	\$ 51,912
185 Sandwich Road & 20 English Street	9	\$ 855,000	9.24%	6.44%	8.62%	\$ 95,000	\$ 1,999	\$ 55,085
41 Donny Avenue	6	\$ 860,000	8.60%	6.04%	8.29%	\$ 143,333	\$ 2,745	\$ 51,979
52 Comries Road & 36 Chequers Avenue	36	\$ 3,255,000	10.38%	7.53%	9.67%	\$ 90,417	\$ 1,906	\$ 245,107
169 Bankwood Road	19	\$ 2,015,000	0.00%	6.93%	9.12%	\$ 106,053	\$ 1,876	\$ 139,542
187 Clarkin Road	27	\$ 2,545,000	10.08%	7.33%	9.39%	\$ 94,259	\$ 1,878	\$ 186,538
310 Peachgrove Road	20	\$ 1,885,000	9.81%	7.36%	9.53%	\$ 94,250	\$ 1,622	\$ 136,680
1 Sullivan Crescent	19	\$ 2,855,000	6.82%	4.98%	9.26%	\$ 150,263	\$ 1,997	\$ 142,196
16 Crosher Place	35	\$ 2,805,000	11.41%	7.89%	10.20%	\$ 80,143	\$ 2,129	\$ 221,453
13 & 19 Graham Street	40	\$ 3,355,000	10.67%	7.96%	10.08%	\$ 83,875	\$ 1,602	\$ 267,060
30 Yvonne Street	13	\$ 1,260,000	9.80%	6.99%	9.01%	\$ 96,923	\$ 2,010	\$ 88,103
								\$ 2,375,348
Gross Realisation		\$ 33,425,000					Net Monthly Cash Flow	\$ 197,946
		\$ 97,166	per unit					\$ 197,946
less								\$ 197,946
Selling Costs (incl Marketing)	3.00%	\$ 1,002,750						\$ 197,946
Legal Costs	17 \$	\$ 5,000						\$ 197,946
Holding Costs	12.0 mths	6.50% \$1,086,313						\$ 197,946
Profit & Risk	7.5%	\$ 2,331,977						\$ 197,946
Total Cost of Sale		\$4,506,039	\$ 4,510,000				Net Present Value	6mths \$ 1,170,587
			\$ 28,915,000				Discount Rate	7.0%
NPV Income Offset while selling			\$ 1,171,000					
Market Value without Encumbrance		344 units	\$ 30,086,000					
			adopt \$ 30,085,000					
			\$ 87,459	per unit				

Local Knowledge, National Coverage

Our Ref: WAH5867
HCO Personal Housing Properties

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6.1 Summary of all Valuation Scenarios

1) Existing Rental		\$15,500,000
2) Reviewed Rental (11% Increase)		\$18,045,000
3) IRRS 7.5/92.5 (with 11% Increase)	Market after 10 years	\$22,190,000
	3A) Ongoing Social Housing Use	\$18,180,000
4) IRRS 25/75 (with 11% Increase)	Market after 10 years	\$22,760,000
	4A) Ongoing Social Housing Use	\$19,420,000
5) Full Market Rental		\$30,085,000
6) IRRS 7.5/92.5 (with 6% Increase)	Ongoing Social Housing Use	\$16,910,000
7) IRRS 25/75 (with 6% Increase)	Ongoing Social Housing Use	\$18,350,000

The above valuations are all inclusive of GST (if any)

6.2 Valuation Discussion

The assessed values are on the basis of a single purchaser acquiring all of the portfolio in a single transaction.

Each scenario considers a different potential cashflow.

The lowest level, Existing Rental, represents Council's current position with no change other than achieving annual rental growth of 2%.

Above this, Reviewed Rental (11% increase), represents the same position for Council but on the basis of activating the approved rent increase.

Council's current position can therefore be seen as between \$15,500,000 and \$18,045,000. The impact of increasing the rents in line with the approved amount is significant.

The sale of the portfolio subject to the conditions of sale effectively require the purchaser to continue with pensioner and/or social housing for at least a 10 year period. This limits cashflow during that period but does mean after 10 years they could expect to achieve market levels or sell the property to someone to redevelop or rent unencumbered. This unlocks significant cashflow potential.

The sale of the property will allow social housing providers' access to IRRS-funded tenants. This funding bridges the difference between assessed affordable rents and full market rental rates and will allow rental growth to occur as the natural attrition of existing tenants takes place.

There are limitations on the amount of funding available under the IRRS scheme and this leads to the proportions adopted of either 7.5% or 25% of the total cashflow being able to attain full market.

Scenarios 3 and 4 (market after 10 years) are based on the conditions of sale and allow for the potential growth in IRRS funded tenants. These two scenarios also reflect the potential available to the owner to go to full market in year 11.

Scenarios 3A and 4A (on going social housing use) assume the portfolio is retained for pensioner and/or social housing.



The values under scenarios 3, 3A, 4 and 4A therefore indicate a range of value between \$18,180,000 and \$22,760,000 dependent upon the extent of premium allowed for firstly rental growth through IRRS funded tenants and secondly whether the full market potential is achieved after 10 years.

The Council are unable to unlock the potential of IRRS funded tenants as they are not a registered community housing provider and on the basis that Council would retain a policy to provide pensioner housing, negotiation will determine the extent of the premium able to be extracted through the sale of the whole portfolio for the income potential.

Assuming Council will implement the 11% rental increase on their current tenants the potential is measured from the existing value of \$18,045,000 up to the higher amount of \$22,760,000.

The highest value, \$30,085,000 represents the value of the portfolio on the basis of it currently being at full market rental with no encumbrances on rent or limitation on who can occupy.



7.0 Tenders Received

7.1 Summary of Received Tenders

Portfolio	Number of Units	Offers on the basis of existing Rental					Accessible Properties				Habitat	
		NM Deshpande	Jast Pure NZ Ltd	Activate Foundation Trust	Activate Foundation Trust	Activate Foundation Trust	Option A No rent increase by HCC	Option B Rent increased by 11% by HCC	Option C No rent increase by HCC	Option D Rent increased 11% by HCC	Option A No rent increase by HCC	Option B Rent increased 11% by HCC
Address				def 3yr	def 5 yr	def 10yr	Immediate	Immediate	Deferred 3yrs	Deferred 3yrs	Immediate	Immediate
29 Dinsdale Road & 26 Rothwell Street	18											
24 Gibson Road	26											
8 Koromiko Street	18		\$ 750,000									
9 Walker Terrace	4	\$ 180,000										
81 Livingstone Avenue	34		\$ 1,230,000									
46A Matai Street	12	\$ 610,000										
22 Stokes Crescent	8	\$ 360,000	\$ 450,000									
185 Sandwich Road & 20 English Street	9	\$ 430,000										
41 Donny Avenue	6	\$ 315,000										
52 Cornies Road & 36 Chequers Avenue	36											
169 Bankwood Road	19		\$ 800,000									
187 Clarkin Road	27		\$ 1,130,000									
310 Peachgrove Road	20											
1 Sullivan Crescent	19		\$ 1,250,000	\$ 1,270,131	\$ 1,259,078	\$ 1,154,825						
16 Crosher Place	35	\$ 1,175,000	\$ 1,640,000									
13 & 19 Graham Street	40											
30 Yvonne Street	13											
Received Now									\$ 4,600,000	\$ 4,700,000		
Received Later									\$ 15,448,995	\$ 15,784,843		
TOTALS	344	\$ 3,070,000	\$ 7,250,000				\$ 16,000,000	\$ 17,500,000	\$ 20,048,995	\$ 20,484,843	\$ 14,525,500	\$ 17,047,913

Table 7.1

The tenders received for "parts" of the portfolio are highlighted in green. These tenders were made subject to the tender conditions and the existing rental cashflow being in place at the time of settlement. They do not show any material premium for individual or smaller parcel sale if compared to the individual apportionment in the valuations as shown in table 7.2 and referred below.

The tenders from Accessible Properties (blue) and Habitat (brown) are single price for the whole portfolio.

The tender price under Option C & D by Accessible Properties include a Net Present Value calculation to provide the equivalent "today" value based on receiving 80% of the price in three years.



We have apportioned the individual property values on a per unit basis (see table 7.2).

This apportionment does allow comparison with the tenders received for smaller groups of properties or individual properties in the portfolio where property specific values were provided in the tender.

Where multiple tenders were received, the comparison with our assessments are as follows:

16 Crosher Place

Jast Pure	\$1,640,000
NM Deshpande	\$1,175,000
TelferYoung (existing rental no increase)	\$1,501,744

22 Stokes Crescent

Jast Pure	\$450,000
NM Deshpande	\$360,000
TelferYoung (existing rental no increase)	\$343,256

1 Sullivan Crescent

Jast Pure	\$1,250,000
Activate Foundation Trust (deferred 3 years) NPV	\$1,270,131
Activate Foundation Trust (deferred 5 years) NPV	\$1,259,078
Activate Foundation Trust (deferred 10 years) NPV	\$1,154,825
TelferYoung (existing rental no increase)	\$1,555,233

Three different prices were received from Activate Foundation Trust based on varied deferment of the total price as shown, the above amounts are "todays" value based on a Net Present Value calculation.

7.2 Tender Discussion

Council wish to sell the whole portfolio and on this basis there are two prospective purchasers

- + Accessible Properties New Zealand Limited
- + Habitat for Humanity Central North Island Limited (HHCNI)

Following the initial receipt of tender prices, Council entered into discussion with both parties to clarify the tender positions and provide some degree of comparability in terms of the basis that the tenders were made. The two parties were asked to re-submit their tender on the basis of the following four options:

Immediate settlement

- Option A: No increase in existing rentals
- Option B: Existing Rentals increased by 11% by the date of settlement

Deferred Settlement

- Option C: No increase in existing rentals
- Option D: Existing Rentals increased by 11% by the date of settlement

The results of these four options are shown are discussed below.



Option A

This is based on no increase in the existing rents at the date of settlement.

It is recognised that an 11% increase in existing rental is warranted and justifiable under social and pensioner housing guidelines.

In addition the purchaser, being a registered community housing provider, can phase in IRRS rentals with new tenants.

Accessible Properties have indicated in their tender that they would implement their own rental increase to existing tenants at a 6% increase.

HfHCNI are not explicit as to the extent of rental increase they would seek.

Our IRRS models have been run to incorporate the ability of the purchaser, as a registered community housing provider, to be able to phase in a level of IRRS rental increase to full market with new tenancies.

There is uncertainty around the number of new tenants that will be able to receive this subsidy and a risk longer term as to whether the government will continue with the subsidy or vary it in some way. For this reason we have included two splits, 7.5%/92.5% and 25%/75% in the models run.

The comparison is as follows;

TelferYoung		
+ No market adjustment to rent beyond annual 2% growth		\$15,500,000
+ Market adjustment by 6% and 7.5/92.5 IRRS split		\$16,911,000
+ Market adjustment by 6% and 25/92.5 IRRS split		\$18,351,000
Accessible Properties		\$16,000,000
HfHCNI		\$14,525,000

The inclusion of IRRS rental potential is subject to on-going use of the properties for social housing.

Option B

This is based on HCC implementing the 11% rent increase by the date of settlement.

TelferYoung		
+ No market adjustment to rent beyond annual 2% growth		\$18,045,000
+ 7.5/92.5 IRRS market after 10 years		\$22,190,000
+ 25/75 IRRS market after 10 years		\$22,760,000
+ 7.5/92.5 IRRS on-going social housing		\$18,180,000
+ 25/75 IRRS on-going social housing		\$19,420,000
Accessible Properties		\$17,500,000
HfHCNI		\$17,047,500

The first two assessments of TelferYoung above allow that after the 10 year encumbrance period full market rents can be achieved. This is perhaps a "best case" scenario as there would be some time taken to phase in such a change and risk around there being sufficient market demand for that type of accommodation at a single point in time.

Both tenderers have indicated that they intend to continue social housing beyond the 10 year encumbrance and hence the second two assessments of TelferYoung are perhaps more in keeping with the intentions of the purchasers.

Nevertheless, the first assessments (market after 10 years), do reflect future premium that could be achieved after the encumbrance has terminated if the purchaser chose to rationalise their portfolio by selling off some property and re-investing in the balance of the portfolio or a new development.



Option C

This is based on no increase in existing rents at the date of settlement and part of the settlement being deferred.

Only Accessible Properties are prepared to tender on this basis.

Effectively they see the deferment as providing time to put rental increase in place and therefore be in a position to pay more. This deferment de-risks the transition through the rent increases and means that at the time of the deferred settlement the increase in market value will have been achieved.

TelferYoung	
+ No market adjustment to rent beyond annual 2% growth	\$15,500,000
+ Market adjustment by 6% and 7.5/92.5 IRRS split	\$16,911,000
+ Market adjustment by 6% and 25/92.5 IRRS split	\$18,351,000
Accessible Properties (face value)	\$23,000,000
Net Present Value (based on a discount rate at Council cost of funds 6%)	\$20,048,995

This reflects a quite substantive margin for taking the rental cashflow from its existing under rented position to a full social housing rental level with potentially some IRRS rental potential achieved as well.

Option D

This is based on HCC implementing the 11% rent increase by the date of settlement and part of the settlement being deferred.

TelferYoung	
+ No market adjustment to rent beyond annual 2% growth	\$18,045,000
+ 7.5/92.5 IRRS market after 10 years	\$22,190,000
+ 25/75 IRRS market after 10 years	\$22,760,000
+ 7.5/92.5 IRRS on-going social housing	\$18,180,000
+ 25/75 IRRS on-going social housing	\$19,420,000
Accessible Properties (face value)	\$23,500,000
Net Present Value (based on a discount rate at Council cost of funds 6%)	\$20,484,843

This option does not materially increase the net present value. This could be expected as the deferment is allowing time for the rental growth to occur and it would appear that Accessible Properties are calculating an end value in three years as being achievable either from the standing start of no existing rental increase or with the initial 11% increase in place as being similar at that end point. Some additional initial cashflow under the 11% rent increase model presumably reflects the modest higher amount in option D.



The following table includes the TelferYoung Corresponding valuations and our apportionment on a per unit basis.

Portfolio	Number of Units	Accessible Properties				Habitat		TelferYoung							
		Option A No rent increase by HCC	Option B Rent increased by 11% by HCC	Option C No rent increase by HCC	Option D: Rent increased 11% by HCC	Option A No rent increase by HCC	Option B Rent increased 11% by HCC	Option A No rent increase by HCC	Option B 11% increase in rents (No IRRS)	Option B 7.5/92.5 IRRS 6% increase continued social housing	Option B 25/75 IRRS 5% increase continued social housing	Option B 7.5/92.5 IRRS 11% increase continued social housing	Option B 25/75 IRRS 11% increase continued social housing	Option B 7.5/92.5 IRRS 11% increase 10yr market	Option B 25/75 IRRS 11% increase 10yr market
		Immediate	Immediate	Deferred 3yrs	Deferred 3yrs	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate
25 Dinsdale Road & 26 Rothwell Street	18	\$ 837,209	\$ 915,698	\$ 1,049,075	\$ 1,071,881	\$ 760,056	\$ 892,042	\$ 772,326	\$ 905,390	\$ 846,157	\$ 921,506	\$ 912,558	\$ 977,442	\$ 1,122,384	\$ 1,152,209
24 Gibson Road	26	\$ 1,209,302	\$ 1,322,674	\$ 1,515,381	\$ 1,548,273	\$ 1,097,858	\$ 1,268,505	\$ 1,115,581	\$ 1,307,785	\$ 1,222,227	\$ 1,331,064	\$ 1,318,140	\$ 1,411,860	\$ 1,821,221	\$ 1,664,302
8 Koromiko Street	18	\$ 837,209	\$ 915,698	\$ 1,049,075	\$ 1,071,881	\$ 760,056	\$ 892,042	\$ 772,326	\$ 905,390	\$ 846,157	\$ 921,506	\$ 912,558	\$ 977,442	\$ 1,122,384	\$ 1,152,209
9 Walker Terrace	4	\$ 186,047	\$ 203,468	\$ 233,126	\$ 238,196	\$ 168,901	\$ 196,232	\$ 171,628	\$ 201,198	\$ 188,035	\$ 204,779	\$ 202,791	\$ 217,209	\$ 249,419	\$ 256,047
81 Livingstone Avenue	34	\$ 1,581,395	\$ 1,729,651	\$ 1,981,567	\$ 2,024,665	\$ 1,435,660	\$ 1,684,968	\$ 1,458,837	\$ 1,710,180	\$ 1,598,297	\$ 1,740,622	\$ 1,723,721	\$ 1,846,279	\$ 2,120,058	\$ 2,175,395
46A Matai Street	12	\$ 556,140	\$ 610,465	\$ 699,384	\$ 714,588	\$ 506,703	\$ 594,695	\$ 514,894	\$ 605,593	\$ 564,105	\$ 614,337	\$ 606,372	\$ 651,626	\$ 748,258	\$ 768,140
22 Stokes Crescent	8	\$ 372,093	\$ 406,977	\$ 466,256	\$ 475,392	\$ 337,802	\$ 396,463	\$ 343,256	\$ 402,395	\$ 376,070	\$ 409,558	\$ 405,581	\$ 434,419	\$ 498,837	\$ 512,093
185 Sandwich Road & 20 English Street	9	\$ 418,606	\$ 457,849	\$ 524,536	\$ 535,941	\$ 380,026	\$ 446,021	\$ 386,163	\$ 452,695	\$ 423,078	\$ 480,753	\$ 456,279	\$ 486,721	\$ 561,192	\$ 576,105
41 Dorry Avenue	6	\$ 279,070	\$ 305,233	\$ 349,692	\$ 357,294	\$ 253,352	\$ 297,347	\$ 257,442	\$ 301,797	\$ 282,062	\$ 307,169	\$ 304,186	\$ 325,814	\$ 374,128	\$ 384,070
52 Comries Road & 36 Choqueurs Avenue	36	\$ 1,674,418	\$ 1,831,395	\$ 2,098,151	\$ 2,143,763	\$ 1,520,110	\$ 1,784,084	\$ 1,544,651	\$ 1,810,778	\$ 1,692,314	\$ 1,843,012	\$ 1,825,116	\$ 1,954,884	\$ 2,244,767	\$ 2,304,419
168 Bankwood Road	19	\$ 883,721	\$ 966,570	\$ 1,107,357	\$ 1,131,430	\$ 802,281	\$ 941,600	\$ 815,233	\$ 955,689	\$ 893,166	\$ 972,701	\$ 963,256	\$ 1,031,744	\$ 1,184,738	\$ 1,216,221
187 Clarkin Road	27	\$ 1,255,814	\$ 1,373,547	\$ 1,573,813	\$ 1,607,822	\$ 1,140,093	\$ 1,338,063	\$ 1,158,498	\$ 1,358,084	\$ 1,269,235	\$ 1,382,259	\$ 1,368,837	\$ 1,466,163	\$ 1,683,576	\$ 1,728,314
310 Peachgrove Road	20	\$ 930,233	\$ 1,017,442	\$ 1,165,639	\$ 1,190,979	\$ 844,506	\$ 991,158	\$ 858,140	\$ 1,005,983	\$ 940,174	\$ 1,023,895	\$ 1,013,953	\$ 1,086,047	\$ 1,247,093	\$ 1,280,233
1 Sullivan Crescent	19	\$ 883,721	\$ 966,570	\$ 1,107,357	\$ 1,131,430	\$ 802,281	\$ 941,600	\$ 815,233	\$ 955,689	\$ 893,166	\$ 972,701	\$ 963,256	\$ 1,031,744	\$ 1,184,738	\$ 1,216,221
16 Crosher Place	35	\$ 1,827,907	\$ 1,780,523	\$ 2,039,869	\$ 2,084,214	\$ 1,477,985	\$ 1,734,528	\$ 1,501,744	\$ 1,760,480	\$ 1,645,305	\$ 1,791,817	\$ 1,774,419	\$ 1,900,581	\$ 2,182,413	\$ 2,240,407
13 & 19 Graham Street	40	\$ 1,860,465	\$ 2,034,684	\$ 2,331,278	\$ 2,381,958	\$ 1,689,012	\$ 1,982,315	\$ 1,716,279	\$ 2,011,977	\$ 1,880,349	\$ 2,047,791	\$ 2,027,907	\$ 2,172,093	\$ 2,484,166	\$ 2,560,465
30 Yvonne Street	13	\$ 604,651	\$ 661,337	\$ 757,666	\$ 774,137	\$ 548,828	\$ 644,253	\$ 557,791	\$ 653,892	\$ 611,113	\$ 685,532	\$ 659,070	\$ 705,930	\$ 810,610	\$ 832,151
TOTALS	344	\$ 16,000,000	\$ 17,500,000	\$ 20,048,995	\$ 20,484,843	\$ 14,525,500	\$ 17,047,913	\$ 15,500,000	\$ 18,043,000	\$ 16,911,000	\$ 18,351,000	\$ 18,180,000	\$ 19,420,000	\$ 22,190,000	\$ 22,760,000

Table 7.2
Glossary of Terms – TelferYoung Valuations

Option A: No Rent Increase by HCC, the existing position with the rental cashflow remaining below a social housing use level

Option B: 11% Increase by HCC, the existing rent increased by 11% but without future benefit of potential IRRS rents

Option B: IRRS options, based on initial 6% and 11% rent increases having been implemented and then

- a) either 7.5% or 25% of total Cashflow achieving IRRS funding to provide full market rental for that 7.5% or 25% of the cashflow.
- b) Then either the rentals achieving full market rent after the encumbrance period of 10 years or being based on continued social housing use and therefore continued rental cap below full market rent.



Summary

We have provided a range of valuation assessments by running different scenarios.

From bottom to top, Councils current position with no rent increase and maintaining a below market rental cashflow the value is \$15,500,000 and at the top end, assuming Council has disposed of the Pensioner Housing policy and has the properties at full market cashflow the value is \$30,085,000.

On the basis of implementing the warranted 11% increase in existing rents, Councils position could be seen as \$18,045,000 or currently between \$15,500,000 and \$18,045,000 as the rents transition.

There is the ability for the purchaser as a registered community housing provider to unlock some additional rental potential through IRRS support, the value range is then \$18,045,000 to \$22,760,000.

However, if the position is taken that the portfolio will remain as social housing, then the release of the encumbrance after 10 years will not realise the full rental gain and the range of value would be \$18,045,000 to \$19,420,000.

Both of the tenderers for the whole portfolio have measured risk and time around growing the rental cashflow beyond the immediate 11% increase seen as being achievable. Neither is prepared to pay materially for that potential upfront. This is shown in Options C and D by Accessible Properties where under deferred settlement they can afford or are prepared to share some of that rental gain in the sale price after allowing for time to achieve the increase.

The purchasers have approached the value of the portfolio as a business model and as such have built in all anticipated costs associated with running the 344 units including management, repairs and maintenance, capital improvements, finance costs etc.

The approach to market value adopted by TelferYoung has been market based and while we have allowed for similar costs relative to the anticipated cashflows, we typically don't see residential investors drilling down to such detail as a business model albeit that their decisions on purchase price will reflect all factors combined in the yield accepted or reflected by the sale price to cashflow.

Given the complexities of the portfolio subject to the encumbrance, we see the tender prices received by Accessible Properties and HfHCNI as falling within an acceptable value range as indicated by our assessments. The prices tendered do offer some of the future rental potential to Council in the way of value but as would be expected, the risk and reward of achieving this will ultimately lie with the purchaser.

The property was openly marketed and a range of tenders was received including the two for the whole portfolio. These two tenderers are quite similar and in conjunction with the valuations would indicate a consistent level of value given the nature and scale of the portfolio.

The other part tenders received do add weight to the values assessed being supportive of the apportioned values.

Yours faithfully

TelferYoung (Wellington) Limited

Doug Saunders - B Com (VPM); FNZIV; FFINZ
Registered Valuer

Email: doug.saunders@telferyoung.com

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SALE OF HAMILTON CITY COUNCIL: PENSIONER HOUSING: INDEPENDENT REFERENCE

1.1 PURPOSE

The purpose of this report is to provide an independent reference from sector experts on two housing organisations that are the preferred purchasers of the Hamilton City Council's (Council's) pensioner housing portfolio.

1.2 DISCLAIMER:

Note this report is governed by the terms and conditions in the agreed contract for service with Hamilton City Council dated 10 October 2015.

1.3 BACKGROUND

Council is considering the sale of the entire Pensioner Housing Portfolio of 344 units to a "sympathetic social housing provider". A Request for Expressions of Interest ('REOI') process has identified two organisations as the two preferred purchasers.

- Habitat for Humanity Central North Island (HfHCNI)
- Accessible Properties New Zealand Limited (Accessible Properties)

Council require an independent and objective reference on the governance and management capacity of the two parties. This reference will form part of Council's due diligence package and will be included in a public report.

1.4 INDEPENDENCE AND EXPERIENCE

This reference is the view of Stimpson & Co.'s housing experts, Paula Comerford and Earl Hope Pearson, who have had over 20 years' experience working in the community housing sector. Please refer to Appendix 1 – Housing Sector Experience.

The referees have not directly worked for the two preferred purchasers. Paula was a General Manager at IHC Incorporated during 1997 – 2001, prior to the property entity becoming the separate company (Accessible Properties). This role was 14 years ago and no longer represents a material conflict of interest. Paula has in the past also been involved as a fundraiser/committee member for the IHC Wellington Association. This role had no direct relationship with Accessible Properties.

Paula was an evaluator with the Ministry of Business, Innovation and Employment's Social Housing Unit's (SHU) funding programme from December 2011 to March 2014 and assessed numerous capital funding grant applications for both Habitat for Humanity throughout the country (not HfHCNI) and Accessible Properties Limited.

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Earl has also worked with the developer of the Pomare Redevelopment Project on the disposal of the completed houses. Accessible Properties were one of the successful purchasers of the dedicated social housing units.

Paula was a volunteer in a Habitat home build project in Kaitaia in 2001.

Paula is currently working with Accessible Properties in Hamilton and Habitat for Humanity in Taranaki to lease accessible housing in Hamilton and Taranaki on behalf of a disability organisation that is a client of Stimpson & Co.

1.5 COUNCIL'S SALE REQUIREMENTS.

Council currently owns 344 mainly 1 bedroom units in 17 communal style complexes across the City. There are 363 pensioners residing in these units.

The Council's current service delivery model is to provide good quality housing and tenancy management services to tenants. Council does not provide any wrap around services or any other affordable housing interventions in the community.

Council have to date divested a small number of units into the community housing sector and on the open market. This portfolio is the last tranche of housing owned by Council to be divested.

The portfolio will be divested with a number of objectives of the sale that will ensure social housing is protected in the medium term:

- The successful purchaser is to not only operate a sustainable housing portfolio but to enhance provision through a redevelopment, and upgrading programme.
- Provide wrap around support services to enable tenants to sustain their tenancies.
- The sale price will reflect the sale to a sympathetic provider and the special conditions of sale.

There is no requirement for future vacancies to be allocated only to pensioners but there is an expectation that wider housing need in the community will be met through better targeting and opportunities to grow the portfolio.

A Memorandum of Encumbrance will ensure that the following conditions are met.

- Ownership is maintained in the medium term (ten years).
- Current rentals for existing tenants are maintained and the Income Related Rent Subsidy (IRRS) can be maximised for new tenants.
- Current tenants have indefinite security of tenure.
- The number of social housing units will not decrease.

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1.6 PREFERRED PURCHASERS

The following review is based on experience with, and knowledge of, the two providers from many years' experience in the social housing sector and the Council's documentation relating to the sale and the REOI application material.

This reference assesses the attributes and competencies of both parties to meet Council's sale requirements and objectives.

1.7 ACCESSIBLE PROPERTIES.**Organisational overview**

Accessible Properties evolved in the early 2000s out of an existing large disability support agency, IHC Incorporated, following the Board's decision that the management of the organisation's significant property assets required a separate entity and a more strategic approach.

Changes in the health sector funding requirements also required tenancy management to be separated from contracted support. It was also recognised that there were opportunities to provide the wider community sector with property expertise.

Accessible Properties has now grown to become a significant property manager of over 1000 IHC owned properties with \$275 million of equity. The total portfolio includes, an owned residential portfolio of over \$56 million. They also manage/own 105 houses in the Hamilton area.

To manage the extensive portfolio and complete the SHU funded development programme, Accessible Properties have a significant national infrastructure and capability in all aspects of property management and development.

The robustness of the organisation is evidenced by the programme to date which has delivered 136 new homes and there are a further 35 in the pipeline due to be completed by the end of 2015. They also manage 120 capital expenditure projects.

The organisation is the largest provider of non-Government social housing in New Zealand. In its EOI it outlined its extensive management capacity with a team of full time specialists in its management and operational structure.

Accessible Properties has also broadened its scope beyond just disability to meet a range of social housing need within communities as demonstrated in its development programme.

Accessible Properties also provides a design, build, and lease back service to other community organisations, and health providers which meets a significant area of unmet need for special purpose community housing

Accessible Properties is a Class 1 Community Housing Provider. This is a registration scheme under the Community Housing Regulatory Authority (CHRA) which assesses the organisation against performance standards in the area of governance, management, financial viability, tenancy, and asset and property management.

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Accessible Properties has since made 60 placements under the rent assistance programme through the Ministry of Social Development's income related rental scheme (IRRS). To date it is the largest non-government provider of tenant placements.

Accessible Properties has identified Hamilton as a priority growth area due to identified unmet housing need within this community.

Experience/ track record

Accessible Properties has a demonstrated track record of providing quality and cost effective social housing solutions into priority communities, and has been a major recipient of Crown capital grant funding due to their track record and ability to continually deliver quality social housing outcomes.

To date their focus has primarily been in the provision of specialist housing for people with intellectual disabilities however they have recently strategically diversified their delivery model in line with Government's Social Housing Reform Programme ("SHRP").

Governance/management

Accessible Properties has a property focused Board consisting of three well known property experts and three 'Senior' representatives from IHC, all of whom have demonstrated experience in social housing, finance and development.

The management team has demonstrated experience in property development, procurement, asset management and property/ tenancy management services.

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Benefits/Risks of Accessible Properties as purchasers.

Benefits
Track record of quality, well designed product. Committed to aging in place principles.
Well resourced, tenancy management experience with 100-120 tenancies per staff member as a policy which is superior ratio in comparison to Government's housing staff coverage.
Established tenancy support partnerships in other parts of New Zealand.
Efficient operating overheads – existing scaled operation with an established social housing portfolio in Hamilton of 105 properties.
Prospect of significant efficiencies in all areas of procurement and delivery due to the size of the parent organisation. Largest disability support and non-government housing provider.
Established provider within Hamilton City, with the ability to leverage and deliver a wider range of housing opportunities.
The organisational ability to redevelop, renew and reinvest reduces risk of further Council inputs being required in the future.
Risks
Asset owner/ tenancy manager with mainly detached support services via their contracted disability support provider ("Idea Services Ltd").
Significant rapid growth and high expectations from Government on other initiatives may result in a lack of focus or overload.
Significant capital works programme through New Zealand that may over stretch resources.

Summary

Accessible Properties is well placed to assume ownership of Council's portfolio, it has a proven track record in asset ownership, tenancy management, procurement and development delivery.

Accessible Properties offers a solution with good prospects of delivering a quality outcome for Council's tenants. They have an ability to deliver a wider range of housing outcomes to meet Council's objective of enhanced delivery.

We believe from our experience in working within the sector, Accessible Properties would provide Council with a low risk and sustainable option for the divestment of Council's pensioner housing portfolio.

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1.8 HABITAT FOR HUMANITY CENTRAL NORTH ISLAND (HFHCNI)**Organisational overview**

HfHCNI is an affiliate of the national organisation, Habitat for Humanity New Zealand (Habitat). Habitat was established in 1993 with the primary objective of assisting low income families into home ownership. To date they state they have supported over 900 families nationwide to achieve this goal.

HfHCNI was established in 1995 and has housed 110 families across the wider Waikato area, along the path into homeownership. There is no evidence in the EOI of the actual number that have achieved full homeownership.

HfHCNI have also in partnership acquired a number of rental properties including a small 12 unit complex from Council. They also own other accommodation options within the wider Waikato area including the recently acquired 44 bed rest home in Te Awamutu known as Freeman Court.

HfHCNI is mainly a project based residential developer that is reliant on significant support subsidy from their extensive network of national and international volunteers. Due to their volunteer networks they have the ability to deliver an efficient housing response to specific housing needs. This is evidenced by the number of houses they have delivered nationwide.

Habitat's model is founded on low land input costs and they have focused primarily on rural areas to address substandard housing. The provision of social rental housing is outside their usual core operating model. But they do have extensive experience in managing the assisted home ownership participants during their pre purchase stages.

Habitat is a Class 1 social housing provider and is eligible to access MSD's IRRS funding for eligible tenants. To date however there has been no placements.

Governance/management

HfHCNI have a well-represented large Board of 13 members with significant expertise in a range of commercial, legal and community disciplines. Two of the members have architectural and property expertise.

HfHCNI have significant political and business leverage which is represented in their corporate partnerships with a range of local and national businesses who have become significant benefactors to Habitat.

HfHCNI has a small management team (outlined in their EOI) which reflects, at this stage that they may not have the existing housing scale required to manage a large transfer proposed by Council. However they have recently recruited a former Council housing manager to their team.

Experience track record

HfHCNI has over 20 years of experience in delivering housing solutions to community, targeted at assisted homeownership for low income families.

The assisted homeownership programmes rely on significant contribution from numerous avenues including dedicated hours from the prospective tenants and volunteers.

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In the EOI, HfHCNI outlined their intended use of volunteer partnerships to under the required upgrade programme. The Johnson Street units was used as an example taken of the success of this work. This may be difficult to achieve on a large property portfolio.

Reliance on volunteers and the organisational commitment to a 'modest house', in the referees experience can mean that the design, size, location and product robustness can be compromised. Habitat does however deliver a home ownership outcome which meets basic need and is affordable.

Providing a rental product to those in greatest need will test the robustness of any housing product.

The recent purchase of two housing complexes may demonstrate that Habitat have some experience in rental housing management and supported accommodation for older persons. Also they have received positive feedback form tenants to date.

Benefits/Risks of Habitat for Humanity Central North Island as purchasers.

Benefits
Strong local governance structure and network with the ability to leverage resources and support
Can deliver quickly housing products.
Significant business networks and support.
Some experience in tenancy management of pensioner units and established local support networks.
Experience in managing assisted home ownership participants through the process.
Risks
Reliance upon sponsorship and a volunteer network for key maintenance items.
One off project based developer experience.
Lacks a long term broad approach to meeting wider housing need.
Do not have a strong track record of tenancy management of high needs tenants.
Lean internal capacity, reliant on partnerships to provide organisational capacity.
No evidence of a commitment to aging in place to meet the changing needs of older persons.

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Summary

HfHCNI offers Council a grass roots approach to meeting housing need as it sources a lot of its support, expertise and funding very successfully from the community. They are able to mobilise these resources to undertake projects to meet community needs through numerous initiatives such as assisted homeownership, housing repair programmes and second hand stores.

HfHCNI has a strong and well connected governance structure that is well supported by corporate and volunteer sponsorship and focused on providing assisted homeownership outcomes.

HfHCNI has recently partnered to purchase and deliver rental housing from a small ex-Council complex.

The scale of this sale would represent a significant increase in the size of the HfHCNI portfolio. This may challenge the organisation as the size, age and complexity of the portfolio will require greater infrastructure, resources and experience.

The HfHCNI philosophy of a 'modest house', does mean that in some cases the design, appropriateness and quality of the product could be compromised.

The reliance on volunteers for upgrade programmes could compromise the quality of rental properties. It may be appropriate in a single project but may not be suitable for the robust asset management of a large housing portfolio.

1.9 CONCLUSION

This reference assesses the attributes and competencies of both parties to meet Council's sale requirements and objectives.

The successful purchaser must not only operate a sustainable housing portfolio but also enhance provision through an upgrading programme and provide wrap around support services to enable tenants to sustain their tenancies

The two preferred organisations each offer a number of benefits to Council. Accessible Properties provides the extensive infrastructure, track record and the required competencies to deliver a long term sustainable housing to meet the needs of the current and future social housing needs of the Hamilton community.

HfHCNI have significant community strength through its volunteer and sponsorship support, but we consider they do not have the track record or the required attributes to take on the management of a large portfolio without risking the need for ongoing support from Council or others.

Referee



Paula Comerford
Associate

Referee



Earl Hope - Pearson
Associate

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Appendix 1 - Housing expert experience

This reference is provided by Paula Comerford and Earl Hope Pearson.

This reference is based on the referees' experience and knowledge of the two organisations. It comments on the purchasers' attributes to meet the Council's requirement that the purchaser will be able to 'operate and enhance' the service.

The referees have the experience to understand the complexities of managing a large social housing portfolio and the competences/capacity required to do it in an effective and sustainable manner. They also have an understanding and knowledge of both parties' operations.

The referees have been involved in social housing for over 20 years, Paula has had housing roles that have included housing management at Wellington City Council, General Manager, Properties at IHC, responsible for the establishment of a separate property entity, (prior to the establishment of Accessible Properties Limited), General Manager at Housing New Zealand Corporation, where she was responsible for the partnership and funding models to support the growth of the housing sector.

In a consultancy role with The Property Group Limited, both Paula and Earl specifically worked with community housing organisations to support them to grow their capacity as viable housing sector providers This included growth initiatives with organisations such as Tauranga Community Housing Trust, Whatever it Takes Charitable Trust, Queenstown Community Housing Trust, Trust House Limited, Kahungunu Executive ki te Wairoa and a number of Councils on a range of housing and social housing policy matters.

Earl has also worked with the private sector on a number urban regeneration/ redevelopment projects in partnership with Government.



Commercial advisors to the public, iwi and community sectors

WHAT WE DO (/WHAT-WE-DO/)

HOW WE WORK (/HOW-WE-WORK/)

PEOPLE (/PEOPLE/)

HOME (/)

■ [Back \(/people\)](#)



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Paula's strength is her ability to understand her clients' requirements and come up with robust and affordable strategies to effectively meet their specialist housing and property needs.

She is a very strong negotiator and property advocate and achieves cost effective property solutions for all her clients. Paula is very innovative and has been involved in many growth strategies within the community sector.

She has a direct approach to problem solving and effectively bridges the gap between strategy and delivery.

Paula has worked with many large community, iwi, territorial authorities and disability organisations. Examples include;

- *NZ Red Cross*; disposal strategies, maintenance programmes and general property advisory.
- *Bamardos*; strategic asset review, portfolio management, and asset advisory.
- *Wellington City Council Community Services Division*; advisory services to the Wellington community sector. This role included the establishment of community clusters of one stop shop services services to the migrant and refugee communities, elderly, advocacy groups and health providers.
- *NZ Family Planning Association*; *Relationships Aotearoa*, specialist accommodation strategies and delivery.
- Specialist property advisory to the early childhood sector eg *Bamardos*, *Kindergarten Association* and many community crèches.

Paula has also extensive knowledge of the national social housing scene, from her work as a community consultant and senior social housing manager. She is currently working alongside a number of local and national community organisations and territorial authorities to help them improve the performance of their social housing assets through partnering, asset transfer and redevelopment. Examples include

- *NZ Care Group*, currently undertaking specialist housing development, disposal projects and community housing projects.
- Structural reviews and Tenancy and Maintenance policy and procedures for *Ngati Porou Haurora*, *Whatever it Takes Charitable Trust*, *Tauranga Community Housing Trust*, *Ngati Kahungunu Executive*
- Undertook a housing needs assessment, Housing Strategic Plan, Business plan and project planning process for *Ngati Porou Haurora*, *Whatever it Takes Charitable Trust*.
- Undertook a pensioner housing disposal options review for *Whakatane District Council*.

Paula has academic qualifications in education and has held senior and general management roles at Housing New Zealand Corporation, IHC New Zealand, Wellington City Council and The Property Group.

She is a member of the IHC Wellington Association and Community Housing Aotearoa.



Commercial advisors to the public, iwi and community sectors

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Earl is a strategic planning and property professional who has worked across a number of property and infrastructure sectors.

Earl's strength is applying critical thinking and problem solving skills to a broad range of property and development related projects. Often this means working across different Government agencies, Councils, Iwi, community groups or private organisations to develop an agreed strategy or implementation plan. Examples of his work include:

- Leading multi-disciplinary teams in completing development feasibilities, project structuring, procurement of funding partners, construction contractors and managing all aspects of development delivery.
- Completing strategic assets and commercial reviews of Council property portfolios.
- Responding to Crown initiated requests for development proposals on behalf of Iwi and Maori organisations and private developers and consortiums.
- Undertaking social and community housing portfolio due diligence assessments and options assessments.
- Facilitating high value property transactions and structuring all aspects of project delivery through to final construction completion and handover for a range of Iwi and Maori organisations and private developers.
- Assisting a number of Council's with a range of procurement activities.
- Providing strategic advice to Iwi and Maori, Council and private developers on a range of high value and complex property transactions.

<http://www.stimpson.co.nz/people/earl-hope-pearson/>

12/11/15

Areas of Earl's expertise is strategy, community consultation and stakeholder engagement, development feasibility and management, business case development and procurement to a broad range of public sector, Iwi and Maori and private sector developers within the commercial property and social/ affordable housing sectors. Often this is about blending commercial realities with the objectives of the client. For instance, he has helped to facilitate a number of papakainga housing developments working with the client through the visioning, strategy, development feasibility, business case preparation, full Crown and private funding cycle through to construction procurement and negotiation, RMA consenting and final construction completion.

Earl has academic qualifications in town planning and geography and his experience includes a mix of commercial and public advisory roles. His first three year's of experience was with central Government working within Housing New Zealand Corporations Housing Partnerships team where he worked with a broad range of housing third sector, Maori and Iwi organisations on a range of housing initiatives. Earl subsequently worked for Downer – New Zealand where he managed a range of high value complex civil construction and road maintenance construction contracts including their Wellington City Council Northern and CBD contracts which had a total contract value of \$36Million. Earl has also had over 5 years of experience in consultancy with The Property Group Limited ("TPG") where he was a regional business manager and business manager of special projects, providing property consulting advice to a broad range of clients and helping to facilitate the establishment of a number of initiatives within the business.

Hamilton City Council and Accessible Properties Limited – proposed mortgage – the nature of the security and consequences of default

One of the options to be considered by Council in respect of the sale of its pensioner housing portfolio is the proposition that Accessible Properties will pay a much higher price for the portfolio, if payment of that price is deferred for three years from the date upon which they obtain possession of the portfolio.

As security for the deferred payment, they are offering a first mortgage over the whole of the portfolio. The proposal is that they will pay 20% of the purchase price in cash, with the balance payable in three years. No interest is will be paid except in the event of a default, but the if the deferred payment option is accepted, a much higher value is attached to the portfolio than would be the case in an outright cash purchase with immediate settlement.

Council would hold a first ranking registered mortgage over the property. The only interest in the land that would rank ahead of Council's rights would be the memorandum of encumbrance that Council is to register prior to settlement, which encumbrance secures the obligation that that the property be utilised for the purposes of the provision of social housing, and that the interests of current tenants of pensioner housing are protected. Enforcement of this encumbrance will always be at Council's discretion.

The mortgage is to be prepared on usual commercial terms, with some particular obligations relating to this transaction. While no payments would be due until the end of the three-year term (unless there was a default in any of the other obligations in the meantime) Council would have the right to insist that the property is fully insured, with Council's interest noted on the relevant insurance policies; would have the right to inspect the properties upon reasonable notice; would have the right to insist that the portfolio be maintained to a standard not less than that which it was in when purchased from the Council; and that the special covenants (relating to the ongoing financial position of accessible) are complied with.

If, for any reason, the payment of the principal sum due at the end of the term is not made, or if there is a sooner default, the Council would have a range of options. As a first step in respect to any of those options, including rights to

- Enter into possession of the property, and receive the rents from it; or
- Sue the company for the default; or
- sell the all or part of property, either privately or by auction under the conduct of the registrar of the High Court.

The sale option would be the most effective way of recovering Council debt.

Council could, in its capacity as mortgagee, enter into an agreement to sell the property privately, or conduct a private auction. If selling privately, Council has to take reasonable steps to ensure that a fair price is obtained for the asset, and this is normally undertaken by way of independent assessment by Council's valuer. When selling privately, and mortgagee cannot purchase or otherwise acquire ownership of the property over which it holds security.

HAMILTON CITY COUNCIL AND ACCESSIBLE PROPERTIES LIMITED:inw

As another, quite attractive option, Council would be able to arrange for a sale of the property by auction conducted under the supervision of the Registrar of the High Court. The advantage of this option is that the Council is able to buy the property, and could enter a bid equivalent to the amount owing to it, including all interest and all costs, and unless that bid was exceeded, Council would regain ownership of the property, without having to account for the deposit originally paid. If a higher bid was received at the auction, Council will have the option, if it wished to reacquire the asset, to continue to bid, or to allow the third party to purchase.

In any event, the only amount that Council is required to account to Accessible for would be the difference between the amount received by Council on the sale of the property, and the total of the outstanding principal sum, interest, and all costs relating to the sale. Council does not have to account for the deposit of 20% paid on settlement.

In these circumstances, Council's risk of a loss on the transaction is low, although Council would be faced, in the event of buying the portfolio back, to resume management of it. It could obviously be resold to another party in the future.

I should note at this point that any purchaser of the property would be buying the property subject to Council's encumbrance, and therefore the ongoing obligations to provide social housing and security for current tenants would remain.

While the sale to Accessible does not provide for interest on the deferred payment, if there is a default in the obligations of Accessible, interest is payable at the rate of 15% per annum until the default is remedied. This means that if there is a failure to repay the principal sum on due date, interest at 15% per annum will continue until Council receives either all of its money, or, if the sale of the property under supervision of the Registrar of the High Court is adopted, if Council buys the property back for a sum equivalent to the debt owing to it.

If under any circumstances Council chooses to sell the property privately at a sum less than that owing by Accessible at the time, the balance would remain a debt owing by Accessible to the Council, but that debt would then be unsecured.

As an aside, Accessible is a fully owned subsidiary of IHC New Zealand Inc. That parent organisation is financially very strong, but does not have legal power to guarantee the obligations of its subsidiary, so unfortunately a guarantee by IHC of the debt is not available.



Blair Bowcott
Executive Director – Special projects
Hamilton City Council
Private Bag 3010
Hamilton 3240
New Zealand

18 November 2015

Dear Blair

Report on the Pensioner Housing disposal – Hamilton City Council

This report summarises the results of our engagement over the probity of the Hamilton City Council (HCC) tender process for the pensioner housing disposal and subsequent work over risk identification and mitigation.

HCC is currently implementing a disposal process for its pensioner housing portfolio. The process included a requirement from the Council for the successful purchaser to maintain a social housing capability for ten years and to provide certainty of tenancy for the existing tenants. The disposal process was conducted as an open tender, with known social housing providers being approached directly for an expression of interest. The disposal process focussed on a Register of Expression of Interest (REOI) approach, and the information provided through that is being used by HCC to select a preferred Purchaser.

Our engagement was a document assessment after the evaluation processes associated with selection of a preferred purchaser had occurred. We did not attend the tender document opening, or any of the evaluation meetings.

Our assessment of the process against accepted good practice expectations for disposal by New Zealand Government entities identified no exceptions.

Post the Project Evaluation Team's scoring of price and non-price attributes we assisted council staff members conduct a risk assessment session to highlight risks associated with the two leading tenders. This was performed through a workshop session using staff from HCC and a panel of PwC partners and staff. The workshop output included a summary of identified risks. The risks were grouped under, financial risks, legal risks, contractual risks, structural risks, transitional risks, communication risks, warranty risks and political risks. Management have considered and documented appropriate mitigation strategies to address the identified risks. These strategies are in the process of being implemented or where applicable have been incorporated into the sale and purchase agreement.

The risk workshop identified a key financial risk resulting from a deferred payment option being considered by the preferred purchaser. We were asked to perform high level due diligence over the financial information provided. As a result of this work we identified a number of risks around deferred settlement. These focused on factors that could impact the ability of the preferred purchaser to obtain financing in 3 years to settle the deal. Potential risks included; an over-leveraged balance sheet; cost overruns on ongoing projects; inability to achieve budgeted income related rents subsidiaries (IRRS); and increases in interest rates above the property yield. Where possible,

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covenants and other requirements, which we consider to be commercially sound, have been included in the sale and purchase agreement to monitor and manage these risks. These included:

- Linking an event of default to a default in existing banking covenants with Westpac
- Monitoring the performance of the Company through receiving financial reporting
- Ensuring mortgage security is held over all the properties with strong penalty provisions in event of default
- Ensuing a 20% non-refundable deposit is obtained.

We note it is not possible to mitigate all risks associated with deferred settlement. The Council need to determine their risk appetite for such a transaction and be comfortable with the fact that the first mortgage over the properties provides adequate security over the loan.

The work performed in arriving at this assessment is contained within our Assessment Support Summary provided to management.

Yours sincerely

Matthew White
Partner
PricewaterhouseCoopers
HAMILTON

ADDITIONAL INFORMATION

For
**ACQUISITION OF HAMILTON CITY COUNCIL
HOUSING FOR OLDER PERSONS**

From
ACCESSIBLE PROPERTIES NEW ZEALAND LTD

25 November 2015



1. Organisational Summary – About Accessible Properties:

Accessible Properties is a Registered Community Housing Provider supplying affordable rental homes for people with social support needs, and with particular expertise in the housing needs of people with disabilities or mobility difficulties or who are elderly. It also provides housing management services for community organisations. It is a charitable organisation that has tax exempt status and is the only organisation with a three year term of accreditation against the Best Practice Guide for Community Housing in New Zealand - undertaken by Global Mark.

Accessible Properties operates nationwide and manages New Zealand's largest non-government social housing portfolio of over 1,000 household units. It also manages 195 commercial properties used by community organisations. It has been involved with social housing in Hamilton since 1954 (with the opening of Christopher House), and 105 homes are in the Waikato region. It has close links with social support agencies in Hamilton.

Hamilton is one of five cities in New Zealand that Accessible Properties has chosen to focus on for the provision of social housing for affordable rental by households. This prioritisation follows in-house research on where the country's social housing needs are greatest, and this has subsequently been reinforced by studies undertaken by the Ministry of Social Development.

Accessible Properties has been the most successful applicant for government Social Housing Fund grants, which has enabled a programme of new-build construction of social housing units for affordable rental by people with social support needs. All new housing is to LifeMark standards and suitable for people who are elderly or have limited mobility or disabilities. Priority is given to placement of tenants who can take best advantage of these special features. Homes are located where most needed in Auckland, Hamilton, Tauranga, Wellington and Christchurch. To date, 151 homes have been completed, and 192 homes will result by early 2016 – with a market value of \$70 million. 28 of these newly-built homes are in Hamilton. This work is on programme and within budget.

Since April 2014, Accessible Properties has had an Outcomes Agreement with Ministry of Social Development (MSD) and has been placing tenants with government Income-Related Rents (IRRS) subsidies. To date, it has made over 70 IRRS placements – more than any other community housing provider.

Accessible Properties is governed by a board comprising some of the country's most respected leaders in social housing and residential property. It has a property management team with the full range of necessary expertise and experience. The organisation is a stand-alone legal entity owned by an incorporated society (IHC New Zealand Incorporated) that is able to provide substantial shareholder capital that is sourced from its own unencumbered property assets, which are currently worth \$275 million. IHC is also able to contribute corporate support resources associated with operations employing over 6,000 staff, providing social support to 7,000 people, and turning-over \$280 million per year.

2. Local Presence:

Accessible Properties owns 28 new-build housing units in Hamilton, which are all made available for affordable rental by households with a wide range of social support needs. Tenant applicants have either applied directly to Accessible Properties or have been referred from the social housing register held by Ministry of Social Development. Many of the direct applicants are referrals from social support agencies in Hamilton. Regardless of source, tenant applications are rated according to level of need, with high ratings reflecting circumstances such as homelessness or endangered safety or health. The highest ratings have the greatest priority for placement.

All these units have been completed by CKC Developments Ltd between 2012 and 2014. Five of the complexes have been mixed occupancy developments aimed at achieving integration of social housing amongst housing sold to market. Like the Hamilton City Council's portfolio, sites are within easy walking distance of shops, community facilities and public transport.

Tenants represent a wide cross section of social needs and social demographics.

The units are located and configured as follows:

Address	Suburb	Configuration
Unit 1, 11 Albert Street	Hamilton East	2-bedroom flat
Unit 2, 11 Albert Street	Hamilton East	2-bedroom flat
Unit 3, 25 Albert Street	Hamilton East	2-bedroom flat
Unit 4, 25 Albert Street	Hamilton East	2-bedroom flat
Unit 3, 40 Brooklyn Road	Claudeland	2-bedroom flat
Unit 4, 40 Brooklyn Road	Claudeland	2-bedroom flat
46 Enderley Avenue	Enderley	3-bedroom house
46A Enderley Avenue	Enderley	3-bedroom house
18 Fend Street	Chartwell	3-bedroom house
18A Fend Street	Chartwell	1-bedroom flat
18B Fend Street	Chartwell	3-bedroom flat
Unit 1, 57 Fifth Avenue	Enderley	2-bedroom flat
Unit 2, 57 Fifth Avenue	Enderley	2-bedroom flat
Unit 3, 57 Fifth Avenue	Enderley	2-bedroom flat
Unit 4, 57 Fifth Avenue	Enderley	1-bedroom flat
166A, Massey Street	Frankton	1-bedroom flat
166B, Massey Street	Frankton	3-bedroom flat
166C, Massey Street	Frankton	3-bedroom flat
Unit 1, 21 Palmerston Street	Hamilton West	1-bedroom flat
Unit 2, 21 Palmerston Street	Hamilton West	2-bedroom flat
Unit 3, 21 Palmerston Street	Hamilton West	2-bedroom flat
Unit 4, 21 Palmerston Street	Hamilton West	1-bedroom flat
Unit 5, 21 Palmerston Street	Hamilton West	3-bedroom flat
Unit 4, 2 Paterson Street	Frankton	2-bedroom flat
Unit 5, 2 Paterson Street	Frankton	2-bedroom flat
Unit 1, 4 Teddy Street	Whitiora	2-bedroom flat
Unit 2, 4 Teddy Street	Whitiora	2-bedroom flat
Unit 3, 4 Teddy Street	Whitiora	2-bedroom flat

Accessible Properties owns three 5-bedroom homes which are rented to Healthcare of New Zealand (a support services provider). These are located as follows:

Address	Suburb	Use
27 Balloch Street	Fairfield	People with intellectual disabilities.
19 Eastridge Terrace	Huntington	People with Huntington's Disease.
16B Waimarie Street	Nawton	People with intellectual disabilities.

Accessible Properties also manages 34 homes that are rented by IDEA Services, which is an IHC-owned organisation providing support services to people with intellectual disabilities. Locations and sizes are as follows:

Address	Suburb	Configuration
13 Argyle Street	Hamilton East	5-bedroom home
9 Balloch Street	Fairfield	3-bedroom home
365 Borman Road	Rototuna	5-bedroom home
3 Brough Place	St Andrews	5-bedroom home
41 Casey Avenue	Fairfield	5-bedroom home
6 Fernwater Place	Flagstaff	5-bedroom home
6A Fernwater Place	Flagstaff	3-bedroom home
154 Firth Street	Hamilton East	5-bedroom home
50 Garnett Avenue	Forest Lake	5-bedroom home
9 Garrick Place	Beerescourt	3-bedroom home
266 Grandview Road	Western Heights	5-bedroom home
1152A Heaphy Terrace	Fairfield	2-bedroom home
1152A Heaphy Terrace	Fairfield	2-bedroom home
3A Hilton Road	St Andrews	2-bedroom flat
Flat 1, 2 Mary Street	Frankton	2-bedroom flat
Flat 3, 2 Mary Street	Frankton	2-bedroom flat
Flat 4, 2 Mary Street	Frankton	2-bedroom flat
Flat 5, 2 Mary Street	Frankton	2-bedroom flat
64 Morrinsville Road	Silverdale	4-bedroom home
64A Morrinsville Road	Silverdale	1-bedroom flat
98 Morrinsville Road	Silverdale	5-bedroom home
275 Peachgrove Road	Fairfield	2-bedroom flat
136A River Road	Hamilton East	2-bedroom flat
Flat A, 284 River Road	Claudlands	2-bedroom flat
Flat A, 284 River Road	Claudlands	2-bedroom flat
Flat A, 284 River Road	Claudlands	2-bedroom flat
16 Waiwherowhero Drive	St Andrews	4-bedroom home
6 Westminster Place	Rototuna	4-bedroom home
2 Woodland Drive	Flagstaff	5-bedroom home
Flat 1, 33 York Street	Hamilton East	1-bedroom flat
Flat 2, 33 York Street	Hamilton East	1-bedroom flat
Flat 3, 33 York Street	Hamilton East	1-bedroom flat
Flat 4, 33 York Street	Hamilton East	1-bedroom flat
Flat 5, 33 York Street	Hamilton East	1-bedroom flat

In total, 65 homes are managed in Hamilton City, and a further 40 are managed in the Waikato region – mainly in rural Hamilton, Cambridge, Te Awamutu, Morrinsville and Matamata. A total of 105 homes are managed in the region.

3. Tenancy Mix:

3.1. Principles:

Accessible Properties has experience in placing a wide range of households needing housing assistance. The principles that we have found need to be applied are as follows:

- Carefully determine compatibility of new placements with existing neighbours – and not simply take the highest-ranking applicant off the waiting list. This is in everyone's interests.
- Ensure that the type of house fits the needs of the applicant. Some placements best suit detached homes, others benefit most from close contact with neighbours in high density complexes.
- Achieve some grouping of tenants in similar circumstances to help friendship and mutual support networks develop, while avoiding large concentrations of deprivation.
- Help tenants understand and implement their responsibilities for being a good neighbour.

3.2. Introduction of Tenants with IRRS:

Accessible Properties has assumed phase-in of IRRS tenancies at the average rate of about 7.5% of the total tenancies per year (i.e. about 26 new IRRS tenancies per year). The current tenancy churn is about 15% p.a. – so, about an equal number of tenancies are likely to be elderly applicants selected on much the same basis as is currently the case. The preference for the top-up applicants being elderly is for the following reasons:

- The existing units are generally in medium/high density configurations with limited outdoor space and car parking – which would continue to best suit the elderly.
- Compatibility of neighbours is maintained.
- Maintaining the same tenant demographics during transition to IRRS placements is more likely to enable the transition to occur smoothly (i.e. the current churn continues at much the same rate).

New IRRS tenants will be selected to be compatible with existing elderly tenants. The current MSD wait list for Hamilton has 73 people seeking a one-bedroom unit, of which 30 are aged over 65 years old, and the majority of the remainder are aged 55-64. As such, many new placements with IRRS funding are likely to be elderly. People with disabilities are also likely to be compatible placements – many wish to live alone, have restricted mobility, and live a relatively quiet lifestyle. Tenants with more general social support needs will also be accommodated, and those with a more active lifestyle will be separated on the sites that better suit their requirements or, if sites are shared, in detached blocks of units.

The following page provides recent statistical data on people in social housing in Hamilton and those that are on the social housing register seeking placement. As can be seen, the demand for one-bedroom units is greater than for all other categories combined.

Purchasing Intentions – Hamilton City

Overview

Hamilton City had 263 applicants on the social housing register in March 2015, making up approximately five per cent of the total register (195 of those applicants are on the housing register and 68 on the transfer register). Hamilton also has 2,740 occupied social houses (March 2014 data).

Demand is greatest for one and two-bedroom properties. Demand for one-bedroom places is considerably greater than the number of tenants exiting social housing per year. There is also some demand for five-bedroom and larger properties.

MSD's intentions

- MSD's purchasing intentions for Hamilton City over the next two to three years are to:
 - purchase significantly more one-bedroom places (an estimated 90) – some of these could be two-bedroom places where the cost is similar and supply is more readily available
 - purchase significantly more two-bedroom places (an estimated 50)
 - maintain current levels of purchasing of three-bedroom places
 - purchase slightly more four-bedroom and larger places (an estimated 20).



Information on current tenants in Hamilton City

This table provides an overview of primary tenants who are currently in social housing in Hamilton City and the likely duration of their need for social housing based on client segmentation. It categorises primary tenants as having long-term need, medium-term need, or short-term potential to move, based on their income source, including benefit type. As well as giving a sense of the types of tenants that providers are likely to be working with, it also provides a general indication of the level of movement in and out of properties.

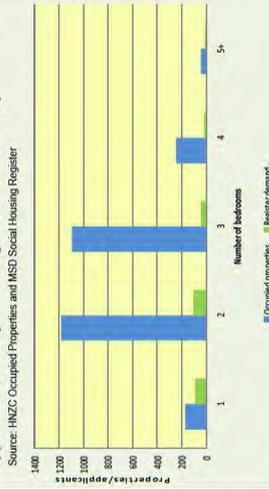
In Hamilton City, a high proportion of primary tenants currently in one-bedroom properties have a long-term need for social housing, which makes it likely that the stock will be occupied for longer durations.

Bedrooms	1	2	3	4	5+
Duration of need					
*based on client segmentation	18	179	297	47	*
Short-term potential to move	31	328	518	151	30
Medium-term need	123	678	277	49	*
Long-term need	172	1,185	1,092	247	44
Total					

Demand information

The information below has been used to inform MSD's purchasing intentions and is useful to show the nature of the supply-demand gap, and the needs of applicants on the register.

Total occupied HNHC properties compared to the number of applicants currently on the register in Hamilton City



The needs of applicants currently on the social housing register in Hamilton City

The tables below tell us common types of benefit that applicants on the register receive and a summary of the top five reasons that applicants are on the register in Hamilton City.

Common benefit type	Applicants	Top reasons	Applicants
Jobseeker Support	58	Health	63
NZ Super/veterans Pension	23	Overcrowding	62
Non-beneficiaries	7	Financial	33
No benefit	22	Tenancy terminated	29
Supported Living Payment	79	Homelessness	19
Sole Parent Support	66		

*Note that non-beneficiaries don't receive a main benefit but receive supplementary assistance eg Disability Allowance. The no benefit group receives no benefit or supplementary assistance.

The tables below provide high level information about household composition and the age group of applicants on the social housing register.

Household composition	Applicants	Age group	Applicants
Couple only	13	18-19	19
Couple only and other person(s)	0	20-24	39
Couple with child(ren)	34	25-29	23
Couple with child(ren) and other person(s)	*	30-34	24
Household of related and unrelated people	0	35-39	37
Household of related people	*	40-44	33
Household of unrelated people	*	45-49	24
One parent with child(ren)	101	50-54	20
One parent with child(ren) and other person(s)	15	55-59	23
One-person household	91	60-64	
Other multi-person household not further defined	0	65+	

* An "*" denotes data of a small volume. The data is suppressed to ensure the privacy of our clients.

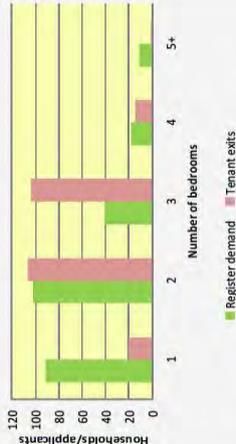
Tenant exits

There is a lot of movement in and out of social housing. Where there are more households moving out of a property type than applicants coming onto the register there is likely to be sufficient exits to meet register demand. For property types where there are few households moving out there is unlikely to be sufficient properties available.

The social housing register compared to those who have exited social housing in Hamilton City over the past year

In Hamilton, demand for one-bedroom properties is very high relative to the number of properties made available through tenants exiting. There have been 20 household exits in the year to December 2014, while demand on the register is for 91 places.

Source: MSD Social Housing Register and HNHC Tenant Exits Data



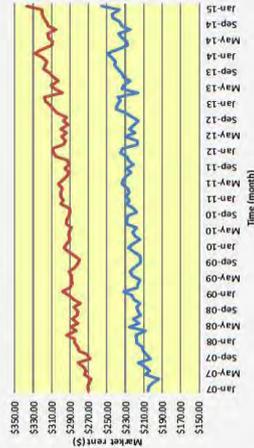
Note: The above exits data includes those who have transferred from one HNHC property to another.

Market rent

IRRS enables providers to access a market rent for their property. Typically, social housing places are purchased near lower quartile market rent. MSD may pay more for properties that have specific additional features that contribute to the property being warm, safe and dry, and for properties with modifications suitable for disabled people. MSD may pay above lower quartile rates for properties with these features.

In Hamilton City, both lower quartile and mean market rent have been steadily increasing over time

Source: MBE, Tenancy and Bond data



3.3. Management of Tenancy Mix:

As indicated above, Accessible Properties will manage the tenancy mix to ensure compatible groupings while respecting existing tenants' rights of tenure and while retaining a suitable living environment for them. It will include its existing (mainly 2-bedroom) housing as part of this mix to ensure the best possible tenant outcomes.

In ten years time, the mix of housing is expected to look something like the following:

- 25% of tenancies will be either existing tenants, or new tenancies with discounted rentals who have subsequently have applied to, and been placed, by Accessible Properties. This group will be predominantly over 65 years of age.
- 75% of tenancies will be households receiving Income-Related Rent Subsidies (IRRS) and placed from the government's social housing register. Based on current register demographics, the IRRS component would be split as follows:
 - 35% will be people over 65 years of age.
 - 25% will be people over 55-65 years of age.
 - 15% will be people under 54 years of age.
- Putting these components together, the age demographics ten years from now would appear to be in the following vicinity:
 - 60 % will be people over 65 years of age.
 - 25% will be people over 55-65 years of age.
 - 15% will be people under 54 years of age.

The ratio of elderly tenants in this assessment would probably err of the low side, as the impact of an ageing population has not been taken into account.

4. Implementation & Transition:

4.1. Hamilton Office & Staff:

Accessible Properties currently manages its Hamilton properties and tenancies from its Auckland office – using staff who are based in South Auckland. The intent is to establish a separate office in Hamilton prior to the Settlement Date. It is planned that this will be serviced office space in which tenancy managers will be based. If suitable space cannot be found in this timeframe, the office will initially operate using currently-available workstations and meeting rooms at the IDEA Services Shared Services office at 505 Grey Street, Hamilton East.

Two new tenancy managers will be recruited and based in Hamilton. One will act as team leader and both will report to the Business Manager. A third tenancy manager is likely once IRRS placements come on stream. Asset management will continue to be provided from the Auckland office – with the tenancy manager being the first point of contact for minor maintenance. Accessible Properties national after-hours call centre arrangements will apply.

Existing tenancy managers from other centres will provide on-the-job training for the newly-recruited tenancy managers. Induction will be carried out in Auckland (administrative systems) and Wellington (computer systems, policy & procedures).

Accessible Properties would be interested in the prospect of employing existing Hamilton City Council employees for the tenancy manager roles – their likely knowledge of the tenancies and tenants is recognised as a major benefit.

Accessible Properties has a register of preferred contractors in Hamilton, and is willing to give consideration to inducting current Hamilton City Council contractors onto this register.

4.2. Transition Plan:

Accessible Properties proposes the following transition plan:

Action	Start Date	End Date
Staff:		
Sign sale & purchase agreement.	10 December 2015	12 December 2015
Advertise for tenancy managers.	14 December 2015	13 January 2016
Interview & appoint tenancy managers.	22 January	26 January
Tenancy managers start		29 February
Staff induction	29 February	4 March
Staff training	29 February	25 March
Office:		
Office lease takes effect		26 February
Contractors:		
Evaluate and induct any existing Hamilton CC contractors.	14 December 2015	26 February
Records & Systems:		
Transfer Hamilton City Council computer systems records to Vision CPM.	11 January	26 February
Transfer Hamilton City Council hard copy records, policies and procedures to Accessible Properties.	15 February	26 February
Rental & Bond Arrangements:		
Agree arrangements for new rental payments.	11 January	22 January
Assign responsibilities for bonds.	11 January	22 January
Communications:		
Joint media release on arrangements.		11 December 2015
Initial letter to existing tenants	14 December 2015	16 December 2015
Follow-up letter to tenants – rental arrangements, Tenants Guide, Newsletter		5 February
Joint media release on hand-over		7 March
Settlement:		
Settlement date		7 March

5. Further Information:

For further details, please contact:

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HAMILTON CITY COUNCIL PENSIONER HOUSING SALE

EXPRESSION OF INTEREST
NIC GREENE

- | 29 Bryant Rd, Hamilton

Executive Summary

Habitat for Humanity is an organisation like no other. We work across social and financial divides empowering people from all walks of life to make a difference in their own and the international community. It is not unusual to see CEO's working next to students and beneficiaries at our varied sites. The practical nature of our work breaks down walls, sometimes literally.

Habitat for Humanity have built a reputation on sound business principles applied with a social conscience. Our Chairman John Gallagher is well known for his contribution to the Waikato community and he leads a Board of Directors that lend business acumen to the organisation's goals. Likewise our management team love what they do and are focussed on ensuring outcomes that match the needs of our community. Over the last five years these needs have prompted a significant change in emphasis to meet the demand for simple decent shelter. Our strategies are guided by international affiliation but given a local context through a formal planning process. In essence we take the best the world has to offer and apply it to our work in the Central North Island, seizing opportunities as they emerge.

Habitat for Humanity has taken financial sustainability very seriously over the last five years, we continue to review our model to ensure a fair subsidy is applied to our products and where necessary new projects are bought into our portfolio that allow us to serve more people. This is reflected in our move away from exclusively providing assisted home ownership support into areas such as social rental and home repair.

We are delighted by the opportunity to further enhance our provision of social rental to the elderly. Given the alignment between HCC's desires for these properties (and social housing in general) and our strategic imperatives we have proposed that if HfH was the preferred partner we work with HCC to structure the transaction as detailed by the included offer prices.

Habitat are a secure partner committed for the long term to work with council. We have a sizable balance sheet and our long term funding arrangements are also part of a rigorous planning process. We have prioritised growth of our second hand goods business to reduce reliance of grants while we continue to look for ways to leverage philanthropic support such as low interest lending and other government funding as it becomes available.

Habitat for Humanity builds more than houses, we build homes, communities and hope.

Our Proposal

HfHCNI believes everybody in Hamilton deserves a decent place to live. The housing continuum identifies a range of housing interventions across the spectrum of need including services to those lacking secure tenure in an affordable rental context. Within this continuum exists a niche of provision to the elderly. This group have been identified as a high risk group for accommodation support. Many who through circumstance reach retiring age without assets of their own are unable to access rental accommodation on the private market. Indications are this is unlikely to change in the mid to long term therefore secure accommodation is an intervention that is required.

In 2013 habitat partnered with the Crosslight trust to acquire a HCC pensioner housing complex that was deemed to be surplus to requirements. The partners felt very strongly that the demand for housing from our elderly required us to act to secure its ongoing availability in the social and affordable rental market. By playing to our strengths the partners were able to access sufficient capital to effect the purchase, renovate the complex and provide ongoing tenancy management and social services to a small number of residents.

Habitat has identified this as a strategic priority so alongside our earlier purchase of Johnson St have acquired Freeman court, an independent home for the elderly in Te Awamutu, and are moving it into the habitat family. This acquisition has added to habitats already strong capacity to provide services and expertise in this area now and into the future.

This strategic position is an indication of our long term commitment in this area. Hamilton has aspirations to be NZ's third largest economy. The workforce needed for this growth guarantees housing issues in general, and affordability specifically, are not going to be resolved in the short term. Pressure from the mid to upper end of the market puts disproportionate pressure on lower quartile members of the community and particularly the elderly who are often on low and fixed incomes. This is not an attractive market for developers so will require focus and commitment from the for-purpose sector. Work already underway on an affordable housing strategy is being led by habitat as further evidence of our commitment to Hamilton and its people.

The acquisition of ex-council complexes has also reinforced the need for a discount on the purchase price to a percentage below market in order to make the acquisition sustainable to the purchaser while also enabling provision of value added services to the occupants as required by relevant covenants.

HfHCNI strongly believes in bringing communities together. Hamilton's desire to be a vibrant city needs to be underpinned by building community, HfHCNI achieve this by engaging volunteers across our range of activities. Much of the work conducted at Johnson St was done by senior school students from Hamilton secondary schools and our corporate groups, including Fonterra, Prolife foods and De Laval. This engagement enables a connection to be formed between the residents and the community helping to remove the isolation that many of our elderly feel. We will continue to use this methodology should we be successful with the acquisition of the wider portfolio.

Track Record

HfHCNI turns 20 this year, in that time we have housed 112 families across our region through our assisted home ownership programme, provided home repair services to upwards of 50 families through our critical home repair work and many more through our partnership with the DHB's Where Ora programme. The success of all these initiatives relies upon solid systems and processes developed over our lifetime which are detailed earlier in this EOI. Also detailed at length is the professional and experienced board of directors and management staff who all believe in our purpose of serving those in housing need.

Tenant satisfaction is high on habitats priorities. Since the purchase and subsequent renovations of Johnson St the complex has enjoyed near 100% occupancy with very little turnover. High levels of satisfaction require an environment that encourages independence while ensuring basic needs are being met. This is further reinforced by our recent recruitment of Shannon Bowden who has extensive knowledge of not only the portfolio but personal relationship with many of the tenants. Shannon has a person centred approach to tenancy management that when supported by habitats systems and processes will provide a high level of care to the portfolios most important asset, its tenants.

It is Habitats intention to provide facilitated independence to tenants within our portfolio. This means allowing tenants the freedom to choose the support they require. We have a wide range of partnerships with service providers but as was clearly articulated at council hearings many of the tenants have existing and satisfactory relationships already in place. Our business model has costed growth of provision in this area initially from internal capacity but growing as required to fund services provided by our partners. A key area of need is effective and regular contact with tenants and sharing of information. We will provide this through our tenancy management staff.

Wider partnerships are intended to be symbiotic, benefiting not only the tenants of our portfolio but also the beneficiaries of other services providers. An example of such provision is a partnership with another trust who have an employment scheme that provides landscaping and grounds services such as lawn mowing and have already indicated a strong desire to work with us in this area. As an established Not for Profit habitat has a range of relationships that can be effectively leveraged for the benefit of the wider community.

We strongly encourage council to consider the many benefits outside of price presented in this offer and select Habitat for Humanity (Central North Island) as the preferred bidder for the purchase of Hamilton Cities Pensioner Housing Portfolio.

Our Organisation

Governance and Leadership

Habitat for Humanity Central North Island (HfHCNI) are part of the global Habitat brand. We have a relationship through Habitat New Zealand (HfHNZ) to Habitat International based in Atlanta, Georgia. This relationship governs certain aspects of our work locally and puts an emphasis on supporting the global demand for simple decent shelter.

HfHCNI began trading as a limited liability Company in January 1995. We operate with a volunteer board of directors and both paid and volunteer staff. The company is registered with Charity Services as a provider of shelter related services to at risk parts of our community, a mission enshrined in our constitution. Supporting documentation is included in the governance section of the attachments.

HfHCNI is a member of the Habitat for Humanity New Zealand brand and as such enjoys registration as a class 1 social landlord (Registration Number #RA011) with the Community Housing Regulatory Authority (CHRA). This accreditation exists under an umbrella arrangement with CHRA. This accreditation allows HfHCNI to access Income Related Rent Subsidy (IRRS)

Quality Assurance

Habitat for Humanity International has instituted a Standards of Excellence programme that replaces our previous "affiliate in good standing" accreditation. This framework is divided into 4 achievement levels (Affiliation and Sector Requirements, Industry standards and Best Practise) across 11 categories (Governance, Finance, HR, Awareness Raising, Fundraising, Programme, Housing Finance, Disaster Response, Advocacy and Volunteer Engagement) This is a multiyear programme that has been through its first phase of implementation that required all affiliated entities to meet both Affiliation and Sector Requirements by the 1st of September 2014. This is a self-assessment programme with peer review, we have achieved these initial standards and are working with our national body on the second round of implementation. As you can imagine this is a sizable document but a full copy of the standards and our assessment outcomes are available on request.

Planning

Habitat for Humanity has a vision of "A world where everybody has a decent place to live" As an organisation with a Christian heritage we seek to embody Christian teaching into our practical work, regardless of race, gender or religious affiliation Habitat seeks to work with people in our communities to provide tangible and life changing outcomes through the provision of shelter. We take core documents provided by our parent organisation and use them to form our strategic plan. We acknowledge that each community has unique challenges that needs a local approach, through our planning process the Management Team and Board of Directors meet to consider the guidance provided by international and how best we can respond.

Habitat for Humanity's International strategic plan identifies four key areas that underpin our work:

1. Build a sustainable organisation
2. Build Community Impact,
3. Build Sector Impact,
4. Build Societal Impact.

We have further broken these areas down to reflect a national and regional context. Our plan seeks to address the tensions between international and local impact, traditional home ownership

programmes and emerging opportunities in the social rental, and home repair space as well as our role in effective communication and advocacy.

In Hamilton the emphasis has been particularly on recipients of our housing products. New Zealand has some of the most unaffordable housing in the world, both in the homeownership and rental market. Our target market for recipients is defined by housing need. This has been the catalyst for change in the nature of our products over the preceding 4-5 years. Traditionally dealing exclusively in the assisted home ownership space Habitat worked with people who were unable to gain main stream finance for home purchase. With the escalating cost of housing even a subsidised model became unsuitable for many in the lower quartile. This has resulted in expansion of our portfolio to include repair of existing homes occupied by low income families with limited capacity to address maintenance issues and social rental for the vulnerable.

A great example of the later this is a partnership between Crosslight Trust and Habitat for Humanity. Following our decision to widen provision we sought to purchase a block of 12 pensioner units at Johnson Street, Hamilton. This not only prevented these units from going into the private sector with associated rental increases but also allows provision of wrap around social services. This partnership is often used as an exemplar in ongoing discussion in this space.

Copies of our strategic planning documents are included in the attachments.

Finance

As a not for profit entity there is often a misconception that profit is not important. This is far from the truth as fulfilment of our mission is entirely dependent on our ability to generate the subsidy that goes into each and every one of our projects. Further than that our ability to contribute to the 1.6 billion people who live in poverty worldwide motivates us to generate the revenue that in turn eases their burden.

As such we operate our organisation using sound business practises. We operate a Finance, Audit and Risk committee as a subset of our Board of Directors. This committee is charged with monitoring all risk to the organisation including compliance risk. This is achieved through a risk register that is reviewed at the beginning of each meeting as a standing agenda item. Our reporting systems are in place to provide oversight to the board of directors via the FAR committee who receive a bi-monthly finance report as part of the board pack. This report is commercially sensitive but a copy of the most recent version of this report is available by request.

HfHCNI has a balance date of 30 June, as such we are currently undertaking our annual financial audit with an expectation of completion by October 2015. Our most recent annual reports are available from the Charity services website.

As detailed in our preferred supplier listing HfHCNI use Crombie Lockwood as our insurance brokers to provide cover for our diverse range of activities. This includes everything from Business Interruption to Contract works and Property Insurance.

Finally HfHCNI has a long standing and committed relationship with the ANZ bank as our primary provider of financial services. The bank has had a long term involvement in the development of the financing of this bid and has shaped its internal policies to support lending into the social housing sector.

Current Activities

Habitat for Humanity's strategic plan aspires to a world where everybody has a decent place to live and requires a focus on shelter. Our commitment to this vision is borne out in our diverse range of activities across the Central North Island. These activities include partnerships with the District Health Board to deliver home repair services to families of children facing multiple readmission to hospital for respiratory illness, our traditional assisted home ownership programme and more recently the development of our social rental portfolio. A Summary of these later properties is provided below.

Address	Locality	Style	# of units	Type	Tenants	Valuation
Johnson St	Hamilton	Bedsit	12	Pensioner	12	
Tenant Profile	Independent elderly capable of living alone with minimal assistance. Community support from other tenants and wrap around support from Crosslight Trust adjacent to complex.					
Narrative	Ex-HCC complex consisting of 3 block of 4 units, shared laundry facilities per block. Refurbished in 2012 with ongoing capital works including new roofs in 2015.					

Address	Locality	Style	# of units	Type	Tenants	Valuation
Sloane St	Te Awamutu	Boarding House	44	Pensioner	38	
Tenant Profile	Independent elderly capable of living alone with minimal assistance. In house provision of meals. Also providers of local "meals on wheels" service to Te Awamutu township.					
Narrative	Freeman court facility established in 1970 with further expansion in to its current 44 bed status in the late 70's. As at the 1 st of July 2015 Freeman Court formally became part of the Habitat for Humanity (Central North Island) family of services.					

Address	Locality	Style	# of units	Type
	Hamilton	Assisted Home Ownership	15	Residential Property
	Gisborne	Assisted Home Ownership	4	Residential Property
	Waikato	Assisted Home Ownership	18	Residential Property
	Rotorua	Assisted Home Ownership	4	Residential Property
	Hawkes Bay	Assisted Home Ownership	7	Residential Property
Tenant Profile	Low income families working toward home ownership through our assisted home ownership programme. Commonly one or two parent families with multiple children who have experienced significant housing deprivation issues including lack of secure tenure, poor health outcomes and overcrowding issues.			
Narrative	Habitats assisted home ownership programme has been operating in Hamilton and wider afield for upwards of 20 years supporting 110 families into their own homes through our pathway to ownership.			

Address	Locality	Style	# of units	Type	Tenants	Valuation
	Waikato	Social Rental	3	General	2	
Tenant Profile	Low incomes families in need of secure tenure rental in rural Waikato. Generally single parent families with children					
Narrative	A growth area of Habitats portfolio these homes are developed to meet a grown g need for secure tenure rental accommodation across the region. Properties are targeted for inclusion in the MSD IRRS housing pool					

Additional Questions

1. **How many social housing units do you currently have in Hamilton (within the city boundary excluding the Waikato?)**

27

It is important that this figure is not considered in isolation as a decision-making touchstone. This figure is also an opportunity to emphasise our wide-reaching provision across the Central North Island managed from our Hamilton offices (as detailed on page 5 of the proposal documents). We strongly believe this wider provision is considered an asset to our ability to provide, and our proposal should not in any way be considered solely on the merit of activity within the geographic boundary of Hamilton City. Please refer to page five of the HCC Pensioner Portfolio Proposal - Current Activities.

2. **What are they? (Detached single residential dwelling? Multi-tenancy detached dwelling? Blocks of multiple units? Etc.)**
3. **Where are they? (Physical address) single**
4. **How many tenants do they accommodate? (Singles, couples, families, etc.)**
5. **What types of tenants do they accommodate? (Elderly people, young people with special needs, people with intellectual disabilities, people with physical disabilities, solo parents, lower socio-economic families, etc.)**

HFHCNI currently has 12 (3 x 4 unit bedsit) units located at 7 Johnson Street, Dinsdale, Hamilton, suitable for single persons aged 60+ capable of independent living, who are seeking long term affordable accommodation.

In addition we have a further 15 residential homes in the city as part of our home ownership programme. These properties are three or four-bedroom social rental properties accommodating low income families and are listed below.

Services

Habitat for Humanity provides a range of services to its Partner Families across the region, there are resourced from within the existing capacity of the organisation or in partnership with other provider relationships. As was indicated at the council hearings in 2014 there are a range of “wrap around services” already available to existing HCC tenants a key role of any agency is providing connectivity between the residents of our complexes and the wider community.

All partner families in our assisted home ownership programme are required to complete 50 hours of sweat equity through education programmes. These programmes are also open to our social rental cohort and the general public.

Current Programmes include

1. **Over 60's** group outings facilitated by The Crosslight Trust out of West Hamilton Community Church.

2. **Education Programmes.** Supported by Te Wananga o Aotearoa's certificate in Money Management, Wintec, and local budget advisory services we provide both financial Literacy and Property Maintenance Training to a number of our beneficiaries. .

3. **Delivered Meals Services.** Currently resourced out of our commercial kitchen at Freeman Court. This service provides meals to residents and subscribers in the Te Awamutu catchment. Existing capacity and expertise exists to grown provision to residents at the pensioner complexes should demand be evident.

4. Direct support for the Social and Wellbeing of residents

- Staff support applicants/residents requiring financial assistance by providing them with the necessary documentation to apply to Work and Income for bond, advanced payments, payment redirections etc.
- During the interview process, staff determine through a series of questions if the applicant/resident will require in-home help including, home cleaning, personal care, meals, garden maintenance and or transportation services
- Staff make the necessary arrangements with partner organisations-service agencies for those residents requiring wrap around services
- Regular home visits-tenancy inspections are made by staff during a tenancy to ensure the resident(s) needs are being met and we as a landlord are meeting our obligations
- Quarterly newsletters are sent to keep residents informed of special notices, good news stories or community events
- Special events are held from time to time where residents will be invited to participate (optional)

Tenancy Management

Habitat for Humanity provides a tenancy management services to its existing portfolio. These tenancies are managed and will continue to be managed in accordance with the Residential Tenancies Act 1986.

The recent move of the HCC pensioner portfolio manager, Shannon Bowden, to our staff, will allow us to update our policies to reflect minimum standards currently stipulated by council. This work is currently underway.

Tenant allocation policy and procedures

- It is our intention to adopt Hamilton City Council's housing policy, eligibility criteria, application, and selection and allocation process.
- In recognition that social housing is sought after beyond the elderly, Habitat may review its eligibility criteria and periodic tenancies at a later date to align with MSD social housing criteria. This will allow applicants who do not currently meet our age related criteria to have an opportunity to be suitably housed with Habitat. Existing tenancies will be reviewed periodically to ensure they continue to meet the eligibility criteria and only those that are suitable and in most need are housed.
- It is envisioned that such a review would not be conducted during the 10 year encumbered period and in any such event would be undertaken with the best interests of existing tenants in mind.

Application, Selection and Allocation Process

1. Applicants are invited to register their interest by completing a housing application form. Applicants are provided an application form, criminal convictions declaration form, medical certificate form, information booklet, and locations list and business contact card.
2. Applicants who meet the eligibility criteria are interview shortly after receiving a completed application form
3. Applicants referees are contacted (after interview)
4. Applicants are advised via telephone and in writing if they have been successful or unsuccessful
5. Successful applicants are placed on a waiting list
6. Unsuccessful applicants are provided an explanation, apology and list of alternative housing providers
7. Suitable applicants are invited to view a vacant unit
8. Where a unit is accepted, applicants are invited to enter into a tenancy agreement. Applicants are provided a tenancy agreement, welcome booklet, payment option form(s) and keys to new home.
9. Applicants are housed (or continue on the housing waiting list until a more suitable unit becomes available)

Customer Satisfaction Survey – Performance Indicators

- Residents will be invited to participate in an optional annual customer satisfaction survey where they will be asked to rate individual and overall service.
- Service Level Agreements will be established with internal and external customers to ensure a reasonable level of service is maintained throughout the duration of the contract (this includes grounds, gardens, repairs, maintenance etc.)

- Individual/team indicators are in place as a way to measure performance and service delivery outcomes

Habitat policy is that social rentals are being charged at 30% of household annual income or 75% of median rental depending on individual circumstances and location.

For those residents who have provided income details income reviews are conducted annually. Rental adjustments are made 1 July each year. Residents are provided with 60 days written notice in advance.

Where residents have not provided their income details, their rents will align with MBIES average market rental rate for their area and size of home until such times they provide the required information.

Additional Questions

6. Proposed mix of tenants Habitat would bring to the complexes immediately (including ratios of tenant types if possible)

The encumbrances restrict tenants to social housing clients as defined by the proposal document. As such, the tenant profile will be aligned with current HCC criteria as referenced on **page seven** of the HCC Pensioner Portfolio Proposal – Tenancy Management.

7. How the tenancy mix will be practically managed (per complex, site, across the HCC Portfolio as a whole, in conjunction with your existing Hamilton assets)

Tenancies will continue to be managed in accordance to the Residential Tenancies Act 1986 from our office at 29 Bryant Rd, Hamilton. The portfolio will be managed alongside our existing assets as part of a social housing portfolio provided for the vulnerable across the Central North Island.

8. What experience you have with managing mixed tenancy sites – and how that has worked in practice

Habitat currently operates a mixed portfolio with a range of ages, ethnicities, and complex psychosocial needs across our region. This includes residential subdivisions and independent living facilities. As with any portfolio the nature of the community has large bearing on its success. For the last 20 years we have successfully managed tenants on their journey to independence in our home ownership programme and in a community at Johnson St, Hamilton and Freeman Court, Te Awamutu. This has not been without challenges, but by using sound tenancy management processes, including mediation and tribunal, we have been successful.

With recent recruitment we have augmented our existing competencies with significant experience in both independent and residential living for the elderly. Refer to page 46 of our proposal for bios on our management team. In particular Family Services Manager Shannon Bowden has a person-centred approach to tenancy management and given her knowledge of the Hamilton housing portfolio she has a great understanding of the tenant dynamics, the history of each complex, what makes tenants tick and how unsettling it can be for all parties involved if tenants are not placed in the right complex with adequate and suitable housing.

9. What the tenancy mix will look like in ten years (including ratios of tenant types if possible)

The same as it is now as the encumbrances require the retention of social housing clients as defined in the document. The restrictions also allow for lifetime tenancies of existing tenants. Given the average age of the portfolio tenant and low churn it is highly likely that a large percentage of the portfolio will be tenants who remain from the transfer period.

At the conclusion of the 10 year restricted period Habitat will review the age related criteria and periodic tenancies to align with Ministry of Social Development (MSD) social housing criteria. This will allow applicants who do not currently meet the age related criteria to have an opportunity to be suitably housed with Habitat. This review will be driven by demand for housing at that time. We are very aware of the projected demands for housing for the elderly in the next 10-20 years so it is very likely that the provision will continue to target that population beyond the 10 year restricted period. Given our experience we are well aware of the tensions that may result from changing the mix of tenants, as is indicated above this would be handled with extreme care and a focus on the needs of the residents as well as demand information.

Additional Questions

10. How would the Hamilton Office be expanded (if at all) and resourced?

11. How many staff would be employed (tenancy officers and support staff)?

12. Would you consider employing existing Hamilton City Council staff?

Habitat for Humanity (Central North Island) currently employs 18 Staff across our social housing portfolio. Our bid makes allowance to add up to 3 further staff to provide sufficient capacity to manage the HCC portfolio. The recent recruitment of Shannon Bowden brings extensive knowledge of Councils housing portfolio and its capacity demands. Our recruitment of Shannon also demonstrates a willingness to recruit appropriate staff from council as required.

Property and Asset Management

In keeping with its mission of 'A world where everyone has a decent place to live,' Habitat for Humanity has comprehensive policies in the areas of Property and Asset management. These policies and the supporting manual set out;

- To ensure that all property is maintained to an acceptable standard
- To provide a safe and pleasant housing environment, with maintenance and support services responsive to tenant needs.
- To have in place appropriate budgeting for operating expenditure and long term maintenance etc.
- To excel as a provider of safe, quality social housing.
- To develop housing that reflects the accommodation needs of current and future tenants particularly those on low incomes.
- To provide a tenant focused property management service.
- To manage property assets in a financially responsible and cost effective manner.

In addition our housing portfolio is managed to ensure legal compliance with, as a minimum, the

- Residential Tenancies Act 1986
- Building Act 1991
- Resource Management Act 1991
- Fire Services Act 1975
- The Fire and Evacuation of Buildings Regulation 1992
- The Health and Safety in Employment Act 1992

Additional Questions from council.

13. In terms of transfer of the portfolio please provide your comments about:

- **Transition Plan (timetable, "who needs to do what?")**
- **Communications Plan**
- **Any other practical considerations**

Initial indications of transition workflow demands include:

- Transfer of bonds
- Financial arrangements to ensure rental payments, direct debits etc are redirected
- Any outstanding maintenance requests and current status are captured. Council has openly stated that only urgent maintenance will be conducted prior to settlement but information regarding prior requests from tenants should be recorded.
- Any medical or emergency information related to specific tenants be documented
- All tenancy agreements including special conditions be collated.
- All keys accounted for and made available at settlement including any masters.

In our bid document we strongly encouraged council to make available all files regarding tenancy information, building and maintenance info at settlement. It is vitally important that all effort is made to provide this data to ensure a smooth transition. Historical information regarding tenancies will ensure a continuation of service at a high level is achieved. During our discussion council indicated this would be difficult so we propose that for the week prior to settlement Habitat staff be accommodated at council with appropriate access to files to aid in the transition. A comprehensive schedule will be once an agreement has been signed.

This process has been approached in good faith and we would expect that council approach any transition in the same manner. It is likely that tenant communications and expectations will need to be managed by both parties for a period following settlement as the new system beds in.

Notes to inform Communication plan, Pensioner Housing

As requested, this section gives notes to inform the full development of a communications plan regarding Habitat purchasing and taking over operation of Hamilton City's pensioner housing. It is assumed that Hamilton City Councils communications resource would be available to collaborate on appropriate joint tactics (where required).

Background

Habitat for Humanity believes in a world where everyone has a decent place to live.

Habitat for Humanity helps provide shelter in various ways, all with the spirit of a 'hand up, not a hand out'. We are a non-profit charity, and within the Central North Island region, our activity is unique. Our housing activity includes:

- Assisted home ownership
- Critical home repair / 'a brush with kindness'
- Social rentals
- Independent living facility for older people (Freeman Court, Te Awamutu).

Communications practice

Habitat for Humanity CNI is committed to clear, timely and appropriate communications with all its audiences. We encourage conversation, talk face-to-face/kanohi-ki-te-kanohi wherever possible. We have a 1.25 FTE communications manager resource which supports our delivery staff, and are pleased to have the support of communications professionals on our board of directors.

Desired outcomes

Habitat for Humanity CNI's long-term and overarching communications outcome which anchors all our communications planning is:

- In Central North Island, everybody has a simple, decent place to live.

The short -term outcomes specific to the pensioner housing communications activity:

- Public and residents understand Habitat's role and vision in regards to owning Hamilton's pensioner housing portfolio.
- Residents feel heard and understood.
- Residents are informed and understand what the handover of the housing portfolio means to them.
- Residents trust their home is in good hands with Habitat for Humanity.
- Residents have met their new landlord and know their contact person.

Primary stakeholders

- Current residents of Hamilton City's pensioner units
- Their families and support networks

- General public
- Prospective tenants
- Social service agencies and organisations (including health agencies)
- Media
- Hamilton City – councillors, staff members
- Habitat for Humanity CNI – board members, staff members

Primary key messages

- Habitat is committed to ensuring older people have a simple decent place to live.
- We are experienced landlords and providers of social housing.
- Habitat is immediately accessible and here to support all residents.

Phase one communications activity/tactics

A phased approach to communications activity would see some short-term deliverables designed outside of HFHCNI's strategic communications plan. Following this, the organisational communications plan would be amended to include activity that best meets the needs of this particular group of tenants, their families and support networks.

Phase one		
Activity	Messaging	Responsible
Media holding statements (one each for successful, not successful)	Alternate messaging specific to successful bid/unsuccessful	HFHCNI
Direct communication with residents - letters, phone calls, meetings. Initial celebration 'meet the landlord'.	Introduction to Habitat, no immediate changes, reassure re tenure security	HFHCNI
Media release / media management and monitoring – joint release HCC, responses to media queries, spokespeople established	Reiterate Habitat's intention, reassure re tenure security, affordability	HFHCNI / HCC
Ongoing communication channels established – resident newsletter, schedule of events	What is Habitat, ongoing business as usual	HFHCNI
Website – update content	Ensure FAQ responds to assumptions in risk matrix, information is clearly accessible	HFHCNI
Habitat stakeholder comms – inform previously existing Habitat audiences about the acquisition and what it might mean	Reiterate no change to HFHCNI business as normal in the area of assisted home ownership, critical home repair etc.	HFHCNI

Unique challenges and risk management

Stakeholder	Risk	Likelihood (low-med-high)	Impact (low-med-high)	Mitigation
Tenants (older people) and their families/supporters	Unsettled about tenure security, affordability, safety etc	Medium	Medium	Announcement of new 'owner' is communicated promptly with tenants in the first instance.
All	Confusion about what Habitat is going to do with the accommodation	Low	Medium	Clear and proactive key messaging ensures all stakeholders are well informed.
All	Incorrect assumptions made about Habitat's intentions	Low	Low-medium	Clear and proactive key messaging ensures all stakeholders are well informed.
Activists	Public protest/demonstration	Medium	Medium	Clear and proactive key messaging ensures all stakeholders are well informed. Announcement of new 'owner' is communicated promptly with tenants in the first instance.
Residents, their families, activists	Perception that as Habitat has Christian values, religion will be enforced/preached in the context of housing	Low	Low	Continue to be clear about Habitat's vision and mission through all communication.

Committee: Council

Date: 10 December 2015

Report Name: Support Services Review

Author: Eion Hall

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>LTP 2015-25, Financial Strategy</i>
Financial status	<i>There was no budget allocated to undertake this review. The estimated cost of the review was \$100,000 which reflects the estimated salaries of staff undertaking the review for six months. No resource was hired to backfill seconded staff on this project.</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 not considered to have a high degree of significance</i>

1. Purpose of the Report

- The purpose of this report is to present to Council the high level findings of the Support Services Review.

3. Executive Summary

- In November 2014 the Chief Executive initiated a Support Services Review with a vision to create an organisation that can deliver on the Hamilton Plan and that provides the best value and services to the city.
- The review included examining support services to ensure that they are effective and efficient and to analyse and improve the value of corporate spend.
- Savings of \$550k per annum have been identified in the areas of fleet, legal and office space utilisation. Additional savings may be achieved in the areas of website hosting, design and print and media spend. The timing and volume of these savings will be confirmed in the 2015/16 annual plan.
- Support services are a critical enabler to the organisation delivering on its commitments to the community. Support services reviewed included Communication, Democracy, People and Culture, Health and Safety, Strategy and Research, Portfolio Management Office and Information Services.
- Benchmarking indicates that Council's support services are either lean or comparable in terms of resourcing when compared to other organisations. Council's delivery models are generally aligned with the majority of benchmarked organisations.

9. Customer feedback combined with benchmarking information indicates that the level of service expectations of the business are not aligned with resource allocated. There may be a need to make additional investments in some support services areas to achieve Council’s objectives.
10. There is an opportunity to improve the efficiency and effectiveness of Council’s support services by improving alignment and prioritisation of resources through better strategic planning and the implementation of a more disciplined project and programme management approach. Training and technology interventions could also provide an opportunity to improve the efficiency of Council’s support services.
11. Council strategies that predate the Hamilton Plan (e.g. Social Wellbeing) need to be reviewed to ensure that they are still relevant to provide clarity to the organisation, affected staff and stakeholders.

Recommendation from Management

That the report be received.

12. Attachments

13. Attachment 1 - Support Services Review Benchmarking

14. Background

15. In November 2014 the Chief Executive initiated a Support Services Review. The driver for the review is to create an organisation that can deliver on the Hamilton Plan and that provides the best value and service to the city.
16. The main components of the review were to analyse and improve the value of corporate spend and to ensure that support services are effective and efficient.
17. Corporate Spend
18. Areas of corporate spend analysed are depicted in the table below:

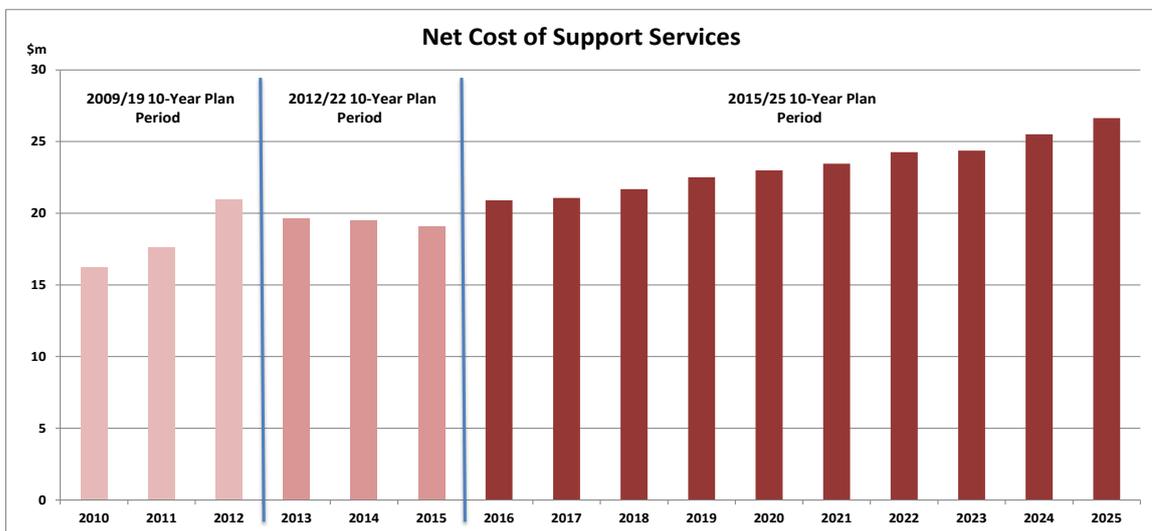
Office Space	Fleet	Media Spend
Website Hosting	Design and Print	Catering
Training/Conferences	Travel	Cleaning
Stationery	Plant Hire	
Security	Legal Spend	

19. The total spend for the 2014/15 financial year on the areas analysed, excluding Office Space, are estimated to total \$8.4m.
20. A change in financial systems and historic accounting practices has made it difficult to provide meaningful historical trend data for many of the corporate spend areas. Where it is available it has been included in the commentary.

- 21. Each area was examined for opportunities to improve value. Benchmarking was completed where data was available and has been included in the commentary under each spend area.
- 22. Corporate spend was benchmarked and reviewed using a range of sources including Treasury’s Administration and Support Services Benchmarking Report, corporate benchmarking information from sources such as Strategic Pay, PWC, Deloitte and KPMG. Information was also gathered from interviews with public and private sector organisations.
- 23. Support Services
- 24. The Support Services reviewed included:

Business Improvement	Information Services	Democracy
Finance	People and Culture	Health & Safety
Strategy and Research	Communications	Portfolio Management

- 25. The net cost of Council’s support services total \$21m for the 2015/16 financial year. During the 2012-22 LTP, organisational efficiencies of \$6.3m were incorporated into the organisation’s budgets. Support services were allocated 36% of efficiencies (\$2.3m) whilst only making up 18% of council’s budget; i.e. a disproportionate allocation of efficiency savings were applied to the support services.
- 26. The net cost of support services reduced from \$21m in 2011/12 financial year to \$19m in the 2014/15 financial year. A change in property’s delivery model and associated accounting practices is the predominant driver for the increase in the 2015/16 financial year. This increase was offset in in delivery unit budgets. Inflation adjustments are included in the figures presented.



- 27. The review benchmarked each of the support services both in terms of resourcing as well as delivery models. It considered a range of options on how Council’s support service units can support the organisation including contracting out, the structure of services, shared service models, training needs and technology solutions. Support services were benchmarked across Local and Central Government, Non-Government Organisations (NGO’s) and the private sector where information was available.

28. Prior to this review being finalised, the Chief Executive announced a proposed structure review. Information from this review was provided as feedback to inform the proposed structure.
29. Finance was removed from scope as an independent review of the Finance Unit was initiated by the acting CFO. Insights gained from meetings with staff and stakeholders will be used as an input into this review. This review will be completed once the General Manager Corporate and Financial Controller positions have been filled.
30. Risk and Emergency Management and Business Improvement were removed from the scope of the review as a result of the Chief Executive proposed structural review.
31. Information Services (IS) was removed from the scope, with the exception of benchmarking, as IS was reviewed as a result of the IT Infrastructure, Managed Services, Service Desk procurement and transition project.
32. Findings and recommendations from both the corporate spend review and support services review were presented to the Chief Executive and relevant General and Unit managers for feedback prior to being finalised. Many of the recommendations contained within the detailed reports will be considered and/or actioned once the vacant General Managers' positions are filled.

33. Corporate Spend

34. The following table estimates the approximate overall savings from corporate spend:

Activity	Approximate Savings p/a
Fleet	\$150k
Legal Spend	\$250k - \$500k
Office space Utilisation	\$150k
Total	\$550k - \$800k p/a

35. There may be opportunity for further savings through improving the procurement and management processes for website hosting, media, design and print.
36. The timing of savings is yet to be confirmed, however it is believed that \$250k of these savings can be realised in 2015/16. Timings of all savings will be confirmed in time to be included in the 2016/17 Annual Plan.
37. Office Space
38. Benchmarking combined with analysis of available office space has identified that there is sufficient room within the Municipal Building to accommodate all current staff situated in the Caro building, thus freeing up the Caro building for lease.
39. The estimated cost of preparing the Caro building for building lease to external tenants is approximately \$65k. This work is being funded within existing budgets. Relocating staff housed in the Caro building into the main Municipal Building is estimated to net Council \$150K per annum. Further optimisation work on the Municipal Building will be undertaken once a decision to proceed or not on the water CCO has been made.
40. A separate report will be brought to Council around the future use of the Caro building. Work is underway to relocate Council staff from the Caro building into the Municipal Building. It is

anticipated that the building will be ready to lease in early 2016, should Council wish to pursue this option.

41. Fleet

42. Council spends approximately \$1.4m per annum on its vehicle fleet. The fleet comprises of 183 vehicles including 43 trucks, 44 utes, 14 vans, 59 cars (including 13 pool vehicles) and 23 management vehicles.
43. The vehicles are purchased through a very competitive government procurement contract and are financed and managed through an operating lease with Fleetsmart.
44. Benchmarking has been conducted with a number of both private and public organisations within New Zealand that manage and operate significant fleet portfolios. Key themes from the benchmarking were used to formulate recommendations for Council's future Fleet Policy direction.
45. The recommendations focused on improving the economy of operation, efficiency (utilisation) and administration and reporting. The key recommendations are summarised below:
- Cease to provide new managers a vehicle option (achieved)
 - Consider a buy-out for existing managers who have a vehicle (underway)
 - All passenger vehicles (cars), including managers' and unit dedicated vehicles, to be considered for being 'pooled' for general use by all staff (underway)
 - Install GPS in new cars where annual mileage is greater than 10,000 km or, where vehicle is required for pooled use. Monitor and act on GPS utilisation reports (underway)
 - Establish electronic pool vehicle booking system to reduce administration and allow for greater utilization (underway)
 - Consider use of rental vehicles for overnight trips and trips over 100km (achieved)
 - Reduce vehicle fleet by five vehicles over next 12 months (underway)
 - Better project management and monitoring of the fleet (underway)
46. Potential savings from implementing these recommendations are estimated to be \$450k over the next three years (150k pa).
47. A revised Fleet Management Policy is currently before SLT that aims to bring effect to the changes required to deliver on these efficiencies.

48. Legal Spend

49. Expenditure on legal services has increased from \$1.58m in 2012/13 to \$2.45m in the 2014/15 financial year. There were a number of one-off events that have contributed to this increase in cost. For example the District Plan Review cost the Council \$248k, \$256k and \$123k during the period 2012-13 to 2014/15.
50. Legal spend has been regularly reported to Council and all spend is appropriate. The next report on legal spend is coming to the February 2016 Council meeting.
51. Legal services are procured through an exclusive supply contract with Tompkins Wake. This contract expires June 2016. The procurement of Council's ongoing Legal Services will be the subject of a report in December 2015.
52. There is an opportunity to better manage the value received from the legal contract with Tompkins Wake by putting in place improved processes around contract oversight and procurement of legal services. It is estimated that a 10 - 20% savings could be made. This

would equate to approximately \$250k per annum with the opportunity of an additional 250k per annum.

53. Removing the exclusive nature of the contract and adding an alternate supplier of legal services may add competitive pressure.
54. As part of the Chief Executive's restructure, responsibility for Council's legal services was shifted to the Democracy Unit, which has a number of qualified lawyers on staff. This provides an opportunity to leverage this expertise to better manage the contract as well as to provide some legal advice internally. The Democracy Manager will need to work with the new General Manager Corporate to bring effect to the changes required to realise these savings.
55. Website Hosting
56. The organisation spends approximately \$160k on website hosting, maintenance and support across multiple websites. This money is spent with multiple vendors who use disparate technology platforms.
57. Consideration will be given to looking to consolidate website hosting through a centrally governed procurement model to ensure that the organisation gets the best possible value from its online technology investments. Discussions have commenced with Council's primary provider to consolidate web technologies. It is not possible to estimate savings at present.
58. Design, Print and Media Services
59. Council spends approximately \$1.2m per annum with over 30 third party providers to provide design, print and media services.
60. There is an opportunity to achieve better value through more centrally managed procurement. Work has been initiated by the Communications Manager to identify and realise any potential savings in this area.
61. Training, Conferences, Travel, Catering, Stationery and Plant Hire
62. Spending was considered relatively light in these areas and it appeared that there are no significant savings to be made.
63. Spend on training, travel and conferences for the 2014/15 financial year is estimated to be \$1.05m. This equates to approximately \$1,100 per person. This is lower than the public sector benchmark of \$1,370 per person.
64. Catering for the 2014/15 financial year totaled \$105k. Catering for H3 and democratic needs contributed \$20,800 and \$10,300 respectively to this spend. Catering is predominantly provided when hosting external parties.
65. Stationery and consumable spend for the 2014/15 financial year is estimated to be \$78k. This equates to approximately \$81 per person. Included in this spend are regularly stocked stationery items, consumables, some minor equipment purchases and cleaning products.
66. Spend on pot plant hire for the 2014/15 financial year was approximately \$22k. The vast majority of this was incurred at H3 in customer facing spaces where presentation is of utmost importance.

67. Cleaning and Security Services

68. Cleaning and security services are all currently under contract. The cleaning contract has recently been renewed under an existing right of renewal for a further 12 months. The security contract has recently been varied and will expire on 31 January 2018.
69. As part of Council's contract renewal process, service needs and cost are reviewed to ensure best value is achieved. Work will start of the procurement process for cleaning services in January 2016.

70. Support Services Review

71. The following section identifies the common themes across the support services reviewed.
72. Different organisational structures, delivery models and accounting practices make it difficult to meaningfully benchmark the total cost of support services against other organisations.
73. Benchmarking indicates at a service level that Council's support services are either lean or comparable in terms of resourcing to other local authorities, government agencies, commercial organisations and industry standards. Appendix 1 summarises the benchmarking completed.
74. Council uses a mixture of centralised and decentralised models with a combination of in-house and outsourced capability to deliver the services reviewed. Council's delivery models are generally aligned with the majority of the other organisations benchmarked.
75. Internal customer feedback combined with benchmarking information indicates that the level of service expectations of the business are not aligned with resource allocated. This has driven an increase in unplanned decentralised delivery as Council's operational units look to remediate the resource gap. An example of this is H3 hiring its own HR resources to complement the resources provided by the centralised HR function.
76. There is a lack of articulated strategic planning in some support services. Strategic planning would facilitate the alignment and prioritisation of limited resources with the organisation's objectives. Support services need to engage with stakeholders in developing their strategies to define outcomes, roles, responsibilities and levels of service. Additional resourcing may be required in some support services to deliver on the organisation's objectives.
77. Lack of staff training around support services activities impedes efficiency through unnecessary rework and increased risk. There is an opportunity to instigate an overarching induction and training programme to improve organisational efficiency and reduce risk e.g. Better training around Council's procurement process would result in reduced rework and compliance risk.
78. Technology based interventions could provide further efficiencies to the organisation. Examples of this include driving employee self-service for HR services and reducing data entry through better system integration.
79. The organisation is still adjusting to the impact of the changes to the Local Government Act; in particular changes to the way Council's plans and policies are now developed with much greater Elected Member input. Significant churn is created by not agreeing expectations around priorities, process, scope and outcomes for key pieces of work.

- 80. There is an opportunity to implement a project and programme management approach within support units to improve the sustainability of workloads by making stakeholders more informed and able to make trade-offs in approach/scope and/or priorities. This may be enabled by a more comprehensive Programme Management Office (PMO).

Signatory

Authoriser	Richard Briggs, Chief Executive
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Summary of Support Service Benchmarking

Activity	Budget 15/16	FTE	Delivery Model Description	Benchmarks	Delivery Model to Benchmarks	Resourcing to Benchmarks
Communications	\$1.2m	12.4 FTE (17 Roles) Decentralised	Central Delivered by a mixed model of a centralised corporate team and decentralised resources located within business units. Multiple third party vendors are engaged to provide additional design, print, advertising, marketing and media monitoring services	3 x Metro Councils 1 X Agri Business 1 X Tertiary Educator 1x Not For Profit	Aligned Opportunities Centralised Marketing & Brand Management may need greater centralised resourcing. Centralised procurement	Sits within the range of Benchmarks Benchmark org FTE to comms. staff range: 47-97. HCC 74 FTE (excl. decentralised staff) HCC 44 FTE (incl. decentralised staff) Benchmark Spend per org. FTE range: \$1,235-\$3,823 HCC \$1,359 (excl. decentralised spend) HCC \$3,171 (incl. decentralised staff) Decentralised resourcing predominantly sits in H3 and Community Facilities e.g. Zoo. Most benchmarked orgs either don't have these facilities or they sit in CCO's.
Democracy	\$594k	6 FTE	Centrally Delivered	3 x Metro Councils	Aligned Opportunities Legal Service often managed by Democracy	Lean in comparison to Benchmarks Benchmark spend per org FTE range: \$792-\$1,818 HCC spend per FTE \$695

Information Services	\$9.6m	30	Service is centrally delivered using a mixture of in-house and outsourced resources	2 x Metro Councils 3 x Government Agencies 1 x Utility Company	Aligned More outsourced than Councils. Aligned with Govt and Private sector	Lean in comparison to Benchmarks Benchmark spend per FTE range: \$12,000-\$20,000: HCC spend per FTE \$9,000
People and Culture	\$1.5m	12.85	Mixed model. Operational HR activities by a centralised corporate team. Learning & Development activities are delivered via a mixed model.	4 x metro CouncilsNZ Treasury Benchmarking Info.Strategic PayDeloitte Benchmarking Info	Aligned	Within range compared to other Councils' Lean in comparison to Corporate and Government sectors HCC org FTE to HR staff Ratio 86.15 Councils' benchmark range: 64-89 Public Service (BASS / Treasury) 61.5 Deloitte Corporate range: 80 -120HCC's HCC HR cost per employee \$1, 404 NZ Public Service (BASS / Treasury) \$2,173

Safety & Wellbeing	\$256K	3	Centrally Delivered	4 x Metro Councils 1 x Utility 1 x FMCG	Aligned	Lean in comparison to Benchmarks HCC's FTE per S&W staff ratio: 295 Council's benchmarked range: 147-766 Councils with higher ratios tend to have high risk areas (e.g. pools, physical works) are either outsourced or in CCO's Private sector benchmark range: 140-250
Strategy & Research (prior to restructure)	\$2.25m	17	Delivered predominantly through an in-house centralised team.	4 x Metro Councils 1 x District Council	More centralised than other Councils	Comparable to other Councils The diversity of services and the discrepancy between councils' in how these services are structured, named and delivered make it difficult to apply comparable ratios. On the surface it appears as though council's resourcing levels are similar to other Council's
Portfolio Management Office	\$202k	1.8 FTE	Centralised oversight provided to decentralised delivery.	2 x Councils 1 x Airline 1 X Agri Business 1 X Utility	Mixed models of PMO delivery. Model is aligned with emerging practice	Lean in comparison to benchmarks PMO staff count 1.8 Benchmark Range 2 - 12

Item 11

Attachment 1

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. Council Minutes - Public Excluded - 26 November 2015) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. Recommendation to Council - Council Controlled Organisations (CCO) Subcommittee meeting 30 November 2015) Official Information and Meetings Act 1987	
C3. Waterworld Contract Matter		
C4. District Licensing Committee (DLC) - recommended appointment		
C5. Sale of Hamilton City Council Pensioner Housing Portfolio		

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 protect the privacy of natural persons	Section 7 (2) (a)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
Item C3.	to maintain legal professional privilege	Section 7 (2) (g)
Item C4.	to protect the privacy of natural persons	Section 7 (2) (a)
Item C5.	to protect the privacy of natural persons	Section 7 (2) (a)