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## Economic Development Committee

### OPEN MINUTES

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Minutes of a meeting of the Economic Development Committee held in Council Chamber, Municipal Building, Garden Place, Hamilton and via audio visual link on Tuesday 8 September 2020 at 9.33am.

#### PRESENT

**Chairperson** Cr R Hamilton

**Heamana**

**Deputy Chairperson** Cr E Wilson

**Heamana Tuarua**

**Members**

Deputy Mayor G Taylor

Cr M Gallagher (via audio-visual link)

Cr R Pascoe

Cr M van Oosten

Mayor P Southgate

Maangai O Te Ua (via audio-visual link)

Maangai T P Thompson-Evans (via audio-visual link)

In Attendance: Cr S Thomson (via audio-visual link)

Cr M Bunting (via audio-visual link)

Cr D Macpherson

Cr M Forsyth (via audio-visual link)

Sean Murray - General Manager Venues, Tourism and Major Events

Jen Baird - General Manager City Growth

Mike Bennett - Key Account Manager

Julie Sanderson - Group Business Manager

Governance Staff: Amy Viggers – Governance Team Leader

Carmen Fortin, Narelle Waite and Tyler Gaukrodger – Governance Advisors

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#### 1. Apologies – *Tono aroha*

**Resolved:** (Cr Hamilton/Cr Wilson)

That the apologies for partial attendance from Cr Gallagher and Maangai Thompson-Evans are accepted.

**2. Confirmation of Agenda – *Whakatau raarangi take***

**Resolved:** (Cr Hamilton/Cr van Oosten)

That the agenda is confirmed noting the following:

- a) Item 10 (Te Waka Six-Monthly Update) will be taken at 10:30am to accommodate external presenters;
- b) Item C1 (Appointment of Directors - Waikato Regional Airport Limited) will be taken at 1pm to accommodate external presenters; and
- c) Item C2 (Municipal Endowment Fund - Management and Policy Approval) in the public excluded agenda will be moved to the open session of the meeting. The report is attached to these minutes as appendix 1.

**3. Declarations of Interest – *Tauaakii whaipaaanga***

No members of the Committee declared a Conflict of Interest.

**4. Public Forum – *Aatea koorero***

**Roger Stratford** provided a written submission to Item 6 (Chair's Report). This was circulated to Committee Members prior to the meeting and is attached to the minutes as appendix 2.

**5. Confirmation of the Open Economic Development Committee Minutes - 12 May 2020**

**Resolved:** (Cr Wilson/Cr van Oosten)

That the Committee confirm the open minutes of the Economic Development Committee meeting held on 12 May 2020 as a true and correct record.

**6. Chair's Report**

**Resolved:** (Cr Wilson/Cr van Oosten)

That the Economic Development Committee receives the report.

*Item 8 (Waikato Regional Airport – Statement of Intent and Letter of Expectation 2020/21) was taken after the conclusion of the above item 6 (Chair's Report) due to staff availability.*

**7. Waikato Regional Airport - Statement of Intent and Letter of Expectation 2020/21**

The General Manager Venues, Tourism and Major Events provided background to the report. He responded to questions from Members concerning the support of shareholders.

**Resolved:** (Cr Wilson/ Cr Hamilton)

3. That the Economic Development Committee:

- a) receives the revised WRAL draft statement of intent for the 2020/2021 financial year;
- b) approves the draft Council letter of expectation to be forwarded to the WRAL Board; and
- c) notes that these recommendations supersede the resolution on both matters from the 10 March 2020 Economic Development Committee meeting.

**8. Hamilton and Waikato Tourism Limited - Year End Report 2019/20**

Jason Dawson (CEO Hamilton and Waikato Tourism Limited) provided background to the report.

He responded to questions from Members concerning return on investment, statistics provided to Council, service reviews, leisure service packages, visitor awareness, COVID-19 impact on festivals, cultural experiences available, corporate services, quarantine hotels, short term rentals, accommodation rates and activating local tourism.

**Staff action:** *Staff undertook to circulate information to members concerning the number of residential properties used primarily for commercial accommodation, and commercial rates designation (rather than residential rate) for these properties.*

**Resolved:** (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives the report.

*Mayor Southgate joined the meeting (10:13am) during discussion of the above item. She was present when the item was voted on.*

*Maangai Thompson-Evans joined the meeting (10:15am) during the discussion of the above item. She was present when the matter was voted on.*

**The meeting was adjourned from 11:25 to 11:35am**

**9. Hamilton Central Business Association - Six-Monthly Update**

Vanessa Williams (CEO Hamilton Central Business Association) spoke to the report and outlined how Hamilton Central Business Association adapted to the COVID-19 restrictions and of future growth.

She responded to questions from Members concerning changes in consumer spending, bringing business into Garden Place, central city activation opportunities, package deals, activating regional tourism and the Garden Place revitalisation budget.

**Resolved:** (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives the report.

*Mayor Southgate left the meeting (11:45am) during the discussion of the above item. She was not present when the matter was voted on.*

**10. Te Waka Six-Monthly Update**

Hamish Bell (Te Waka) spoke to the history of Te Waka, and its long term goals.

He responded to questions from Members concerning construction initiatives, supporting the construction industry, co-operative approaches and future threats and opportunities.

**Resolved:** (Cr Hamilton/Cr Wilson)

That the Economic Development Committee receives the report.

*At the conclusion of the above item 10 (Te Waka Six-Monthly Update) Item 15 (Resolution to Exclude the Public) and the public excluded agenda was taken to accommodate guest presenter availability.*

**15. Resolution to Exclude the Public**

**Resolved:** (Cr Wilson/Cr van Oosten)

**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. Appointment of Directors - Waikato Regional Airport Limited | ) Good reason to withhold information exists under<br>) Section 7 Local Government Official Information and Meetings Act 1987<br>) | Section 48(1)(a)                                                 |

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)                      |
|          | to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (h)<br>Section 7 (2) (i) |
|          | to enable Council to carry out negotiations                               |                                        |
| Item C2. | to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (h)                      |

**The meeting went into a Public Excluded session at 12:14pm.**

*Maangai Thompson-Evans retired from the meeting during the public excluded session.*

**The meeting returned to an open meeting at 1:45pm.**

**11. Major Event Sponsorship Fund - recommendations for approval**

The General Manager Venues, Tourism and Major Events spoke to the effect of Covid-19 on major events this year, and spoke to the report.

He responded to questions from Members concerning collaboration with other Councils, private ventures applying for major event funding, other sponsorship partners, rationale for not funding projects, effect of COVID-19 restrictions on upcoming events and potential for historical event revitalisation.

**Resolved:** (Cr Hamilton/Cr Wilson)

That the Economic Development Committee:

- a) receives the report including the management recommendations;
- b) approves the following single year event sponsorship applications for financial sponsorship in 2020/21 (one year):
  - i. **Cambridge to Hamilton Paddle Race 2020** by The Boatshed Kayaks Limited for \$5,000;
  - ii. **NZ U15 & U19 Badminton Championships 2020** by Badminton NZ Incorporated for \$5,000;
  - iii. **Rāhui Pōkeka Ahurei 2020** by Tainui Teachers Association Society Incorporated for \$15,000;
  - iv. **NZ Artistic Swimming Nationals 2020** by Tauranga Synchronised Swimming Club Incorporated for \$2,000;
  - v. **He Piko He Taniwha 2021** by Tainui Waka Tourism Incorporated for \$25,000;
- c) approves the following multi-year event sponsorship applications for financial sponsorship 2020/21 and 2021/22 (for two years):
  - i. **The Great Kiwi Walk Series 2021 and 2022** by SMC Events for \$10,000 each year;
- d) approves the following multi-year event sponsorship applications for financial sponsorship in 2020/21, 2021/22 and 2022/23 (for three years):
  - i. **Round the Bridges 2020, 2021 and 2022** by Hamilton Harriers Club Inc and Classic Events for \$10,000 each year;
  - ii. **Hamilton Gardens Arts Festival 2021, 2022 and 2023** by Hamilton Gardens Summer Festival Foundation for \$120,000 each year;
  - iii. **iBoon: Hamilton Street Art Festival 2021, 2022 and 2023** by Hamilton Arts Trust for \$25,000 each year;
  - iv. **Balloons over Waikato 2021, 2022 and 2023** by Balloons over Waikato Trust and Classic Events for \$120,000 each year;
  - v. **Feast Waikato 2021, 2022 and 2023** by Waikato Food Inc for \$10,000 each year.
- e) approves the following event sponsorship applications for financial sponsorship in 2021/22 (one year):
  - i. **New Zealand Marching Championships 2022** by Marching Waikato for \$20,000
- f) approves the following event sponsorship applications for financial sponsorship in 2021/22 and 2022/23 (two years):
  - i. **The Achilles Hope and Possibility Marathon 2021 and 2022** by Achilles Track Club NZ Inc for \$10,000 each year.

- g) declines the following applications for financial sponsorship in 2020/21:
  - i. Daedalum@ the Waikato A&P Show 2020 by Showing Waikato Limited;
  - ii. Art for All@ the Waikato Show 2021, 2022 and 2023 by Showing Waikato Limited;
- h) notes the remaining surplus in 2020/21 budget will remain in the fund available for any out of round applications for the remaining of the current financial year; and
- i) notes the remaining surplus of future year's fund will be available for further allocation expected to open in March/April of the relevant year.

## **12. Updated Economic Development Agenda**

The Key Account Manager and General Manager City Growth spoke to the report and outlined the teams involvement in communicating with stakeholders.

They responded to questions from Members concerning staff capacity to deliver the Economic Development agenda, actions moving forward and including stakeholders in developing an economic development agenda.

**Resolved:** (Cr Hamilton/Cr Wilson)

That the Economic Development Committee:

- a) receives the report; and
- b) approves the proposed update to the Economic Development Agenda.

**The meeting was adjourned from 2:31pm to 2:40pm during the above item.**

*The following item was moved to the open agenda during the confirmation of the agenda.*

## **C2. Municipal Endowment Fund - Management and Policy Approval**

The Strategic Property Team Leader spoke to the report.

She responded to questions from Members concerning legal requirements of endowment funds and property leasing.

**Resolved:** (Cr Hamilton/Cr Wilson)

That the Economic Development Committee recommends that the Council:

- a) approves the Draft Municipal Endowment Fund Policy (previously the Municipal and Domain Endowment Fund Policy);
- b) approves the revised accounting treatment of the Municipal Endowment Fund to be reported separately within Council's financial statements to accurately reflect the status of the fund.
- c) approves the development of an Action and Management Plan for the Municipal Endowment Fund to be considered in the 2021-31 Draft LTP; and
- d) delegates Deputy Mayor Taylor, Crs Hamilton, Wilson and Pascoe to work with staff to develop the Action and Management Plan.

**13. H3 Group - Quarter 4 and Year End Report 1 July 2019 to 30 June 2020**

The General Manager Venues, Tourism and Major Events spoke to the report, highlighting that security, sustainability and technology have been priorities. He noted that estimates within the report were conservative, and the H3 Group are increasing work to generate additional jobs.

He responded to questions from Members concerning current H3 Group capacity and adapting to COVID-19 restrictions.

**Resolved:** (Maangai Te Ua/Cr Wilson)  
That the Economic Development Committee receives the report.

**14. Open Information Only Reports**

**Resolved:** (Cr Hamilton/Cr Pascoe)

That the Economic Development Committee receives the following information only reports:

- General Managers Report; and
- Covid-19 Economic Update - 26 August 2020.

**The meeting was declared closed at 3:14pm.**

***Minute Note 24/12/2020:***

*On 24/12/2020 the following resolutions were determined to be released to the public via these minutes and the quarterly update.*

***Appointment of Directors - Waikato Regional Airport***

***Limited Resolved:***

*That the Economic Development Committee:*

- a) approves a vote in support of the appointment of two new directors, Simon Craddock and Kate Searancke, to the Waikato Regional Airport Limited board, of which Hamilton City Council is a shareholder;*
- b) notes that the appointment, if successful, will be effective immediately; and*
- c) notes that the decision and information in relation to this matter be released at the appropriate time, to be determined by the Chief Executive*

## Appendix 1:

# Council Report

Item C2

**Committee:** Economic Development Committee  
**Date:** 08 September 2020

**Author:** Wendy O'Neill  
**Authoriser:** Sean Murray

**Position:** Strategic Property Team Leader  
**Position:** General Manager Venues, Tourism and Major Events

**Report Name:** Municipal Endowment Fund - Management and Policy Approval

|                      |                                                                                                                                    |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <b>Report Status</b> | <i>This report is taken as a publicly excluded item to enable Council to carry out commercial activities without disadvantage.</i> |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------|

**Purpose - Take**

1. To inform the Economic Development Committee on the proposed revisions to the Municipal and Domain Endowment Fund Policy (MDEF Policy) to separate the Municipal Endowment Fund (MEF) from the Domain Endowment Fund (DEF).
2. To seek the Economic Development Committee's approval of the Draft Municipal Endowment Fund Policy (MEF Policy).
3. To seek approval from the Economic Development Committee to develop an Action and Management Plan for consideration in the 2021-31 Draft Long Term Plan on use of the Municipal Endowment Fund (MEF).
4. To seek a recommendation from the Economic Development Committee to the Council to approve the proposed changes to the accounting treatments of the MEF to establish its own separate set of accounts.

**Staff Recommendation - *Tuutohu-aa-kaimahi*** (Recommendation to the Council)

5. That the Economic Development Committee recommends that the Council:
  - a) approves the Draft Municipal Endowment Fund Policy (previously the Municipal and Domain Endowment Fund Policy);
  - b) approves the revised accounting treatment of the Municipal Endowment Fund to have its own separate set of accounts to accurately reflect the status of the fund;
  - c) approves the development of an Action and Management Plan for the Municipal Endowment Fund be consideration in the 2021-31 Draft LTP;
  - d) delegates Elected Member 1 and Elected Member 2 to work with staff to develop the Action and Management Plan; and
  - e) notes that the decision and information in relation to this matter remain publicly excluded for the reasons outlined in the report.



## Item C2

**Executive Summary - *Whakaraapopototanga matua***

6. At the Elected Members briefing on 5 August 2020, Members considered the need to amend the current Municipal and Domain Fund Endowment Policy to promote better management and accountability of the Fund.
7. Staff recommend splitting the current policy in to two separate policies; the MEF and the Domain Endowment Fund (DEF) as sit under two different legislative frameworks that are not strictly compatible.
8. A draft Municipal Endowment Fund Policy is attached (see Attachment 2). The DEF Policy revision will be presented to the 11 November 2020 Economic Development Committee meeting.
9. The MEF's main objective is to preserve the capital of the Endowment Fund so that it is available in perpetuity as an assured source of income that is utilised for the purpose it was endowed.
10. The MEF currently sits within the Council's General Fund. Staff propose that the MEF be allocated a separate set of accounts to accurately show income less costs to allow improved transparency of the MEF's performance, i.e. for municipal benefit.
11. Staff consider the matters in this report to have low significance and that the recommendations comply with the Council's legal requirements.

**Background - *Kooreo whaimaarama***

12. The MDEF Policy was approved by the Finance Committee and came into force on 14 March 2019 (Attachment 1).
13. The MDEF Policy has been revised and it is proposed to separate the MEF from the DEF. This is so the MEF Policy can set out the Council's objectives for the Endowment Fund in a clearer manner.
14. The Economic Development Committee holds the delegations for developing, recommending and monitoring the MDEF policy.
15. The Finance Committee is responsible for development of the financial management component of the MDEF policy and as such agreement has been sought from the Chair and Principle Advisor of the Finance Committee that the financial management component of recommended directly to the Council for completeness.

**Current Status****Municipal Endowment Fund (MEF)**

16. The MEF originated in the 1870s as a Crown grant of lands to the Hamilton Borough intended to provide an enduring income for "Municipal Purposes". While "Municipal Purposes" is not defined, the Council has in recent years utilised a portion of the capital to offset debt, and the income to offset operating costs in accordance with the MEF policy prevailing at the time.
17. The MEF consists of three asset categories:

| Category                                        | Value (\$) | Proportion |
|-------------------------------------------------|------------|------------|
| Land (3 ground leases)                          | 2,320,000  | 5%         |
| Investment Property (3 commercial properties)   | 15,000,000 | 32%        |
| Cash (Restricted Reserve - used to offset debt) | 29,019,293 | 63%        |
| Total                                           | 48,024,293 | 100%       |

18. The land subject to ground leases can be sold ("freeholded") at the request of the lessee. Council does not control the sale of this land. The controlling interest in the land is owned by the lessee. This category of the endowment is covered by the Freeholding of Council Endowment Land Policy.
19. The investment properties can be sold at any time – noting that the decision to sell should be based on commercial property-related factors. To maximise sale proceeds, the properties should be sold on the open market in a transparent and fully competitive process.

#### Domain Endowment Fund (DEF)

20. The DEF was originally established in 1911 and owned by the Hamilton Domain Board. The Hamilton City Council is the successor to the Hamilton Domain Board.
21. The DEF functions differently from the MEF in that it operates under the Hamilton Domain Endowment Act 1979, a unique legislative framework, and the money from sale of domain endowment land is used for different purposes as specified in the Act, specifically:
  - to meet the cost of improvement or development of recreation reserves
  - to purchase land as recreation reserve subject to the Reserves Act.
22. The fundamental obligation on the Council regarding the DEF is to ensure that it is held to enhance existing reserves or to acquire new land for reserves. DEF assets (land, buildings and cash) must retain a separate identity.
23. In the past, the Council has used money from the sale of DEF land to develop commercial premises (such as *The Verandah* at Hamilton Lake Domain), on the basis that they enhance the amenity of the reserve land on which they sit, and the income they generate is used to benefit reserves within the city.
24. The Council has historically used a portion of the capital to offset debt and the income to offset the Parks and Open Spaces Unit's operating costs.
25. The DEF consists of two asset classes:

| Category                                        | Value (\$) | Proportion |
|-------------------------------------------------|------------|------------|
| Land (6 ground leases)                          | 3,480,000  | 30%        |
| Cash (Restricted Reserve = used to offset debt) | 8,073,792  | 70%        |
| Total                                           | 11,553,792 | 100%       |

26. As the DEF is governed by a separate Act from the MEF, the current policy restricts actions and use of the MEF. Staff have investigated a proposed separation and revision of the existing policy to allow the two funds to be administered according to their respective legislative frameworks.
27. Staff recommend separating the DEF and MEF into different policies. The DEF Policy revision will be presented to the Economic Development Committee at a later date.

#### Discussion - *Matapaki*

##### Revised Draft MEF Policy

28. A recent review by staff has brought about further considerations as to both the accounting treatment of the MEF and revising the policy to better align with the requirements of the purpose of the Fund and the Council's strategic vision (Attachment 2).
29. The following principles are suggested for the revision of the policy:

## Item C2

- a) The capital of the MEF must be preserved to comply with the common law principles of endowment.
- b) Income earned from the MEF must be either accumulated and become part of the fund or applied for municipal purposes.
- c) The MEF should be invested in property or property development where broader economic and social benefits can be secured in support of the Council's plans, city strategy, growth and liveability.
- d) Investment should seek to increase and grow the capital value of the MEF.
- e) The MEF shall be subject to authoritative governance and management oversight by regular reporting to the appropriate committee of Council on a quarterly basis.
- f) All income and expenditure attributed to the MEF should be reported separately to ensure the complete financial performance of the MEF is transparent.
- g) The MEF should seek to generate medium- and long-term net revenue at or above market norm where possible at the lowest risk to the Council.

## Previous Developments

30. The Council has been involved in several successful developments using endowment land and funds as follows:

| Location                 | Type of Development                                                                                                                                                          | Benefits                                                                                                                                                            |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BNZ, Victoria St         | Purchased using funds from the MEF as an investment property built by Hamilton Properties Ltd                                                                                | Sold for above market value for a net revenue gain of \$1,332,194 in line with Property Strategy                                                                    |
| PWC, Anglesea St         | Sale of MEF ground leases to Wintec with provisos for developer to subdivide sites to support the development by Wintec of its campus and return certain land to the Council | Development of Wintec campus with commercial office and retail space provide better transport connectivity and create an open public plaza                          |
| Genesis Energy, Bryce St | Sale of DEF ground lease to lessee for redevelopment subject to Council provisions                                                                                           | To promote a development that connects park to city with pedestrian activities, transport hub                                                                       |
| Pending Redevelopment    |                                                                                                                                                                              |                                                                                                                                                                     |
| Wintec, Ward St          | Sale of ground leases to lessee with redevelopment provision attached to sale for site                                                                                       | To promote urban growth, activate building frontages along Ward St and Tristram St, promote pedestrian-orientated activities, residential and commercial activities |



## Financial Considerations - *Whaiwhakaaro Poute*

### Current Financial Status of Municipal Endowment Fund

31. The MEF currently has \$29,019,293 in cash and property assets, which generate revenue of \$119,072 per annum and hold a land value of \$2,320,000. Once the sale of the Wintec ground leases concludes on 13 November 2020, there will be only two residential ground leases left of Municipal Endowment Land which hold a nominal value.

### Municipal Investment Property

32. The Council holds four Municipal Endowment Investment properties that generate \$1,138,715 in rental per annum with a capital value of \$12,222,000, which were purchased from the Fund to generate income back to the Fund. Staff recommend that these revenues be transferred to the MEF budget along with the operational costs to provide clear accounting.

### Financial Impact

33. The inclusion of the MEF into the General Fund, where it currently sits, was brought about as a result in the Council's decision to use the Local Government Financial Accounting calculation on the revenue-to-debt ratio. This calculation involved the inclusion of all cash into the General Fund.
34. Advice received from the General Manager, Corporate in relation to any financial consequences of excluding the MEF from the General Fund are simple; ringfencing the MEF can happen.
35. The simplest and most preferred way is changing the Council's "Debt to Revenue" (DTR) calculation to exclude the MEF, which can be done through the LTP review of the Financial Strategy. This would increase our DTR ratio, meaning the Council could borrow less on general spending (less by the MEF amount). This would ring fence borrowing capacity equal to the MEF amount meaning that when an endowment opportunity came up the funds to invest would be available.

### Options

36. Staff have assessed that the most viable accounting treatment option for the Committee to consider, based on financial advice, is set out in paragraph 34 above.
37. The recommendation to revise the policy and accounting treatments will allow the Council to provide broader economic and social benefits to support Hamilton's plans, city strategy, growth and liveability.

## Legal and Policy Considerations - *Whaiwhakaaro-aa-ture*

38. Staff confirm that the proposed policy changes comply with the Council's legal requirements and support the requirements for the use and purpose of the MEF under the Local Government Act 2002.
39. Tompkins Wake has reviewed the MEF Policy and confirmed that it complies with the requirements of use of the MEF.

## Wellbeing Considerations - *Whaiwhakaaro-aa-orange tonutanga*

40. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').
41. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.

Item C2

42. The recommendations set out in this report are consistent with that purpose.

**Social**

43. The revised MEF Policy will promote better outcomes for the community at large, helping to create a more vibrant Hamilton with greater social interaction.

**Economic**

44. The changes to the MEF Policy will allow better key development opportunities which will help attract business growth, grow the city's economy, aid potential public and private investment and help with prioritising future funding decisions and business cases.

**Environmental**

45. The proposed changes to the MEF Policy will allow redevelopments that will align with the Council's CCTP refresh, taking into consideration connections between the central city and the river to restore and protect the balance of the environment.

**Cultural**

46. Any redevelopments resulting from the use and investment of the MEF will endorse and embrace the cultural identity of the city.

**Risks - *Tuuraru***

47. If the revision of the policy and the accounting treatments are not approved, this will restrict the Council's flexibility to use the MEF for municipal purposes and provide less transparent financial performance reporting.

**Significance & Engagement Policy - *Kaupapa here whakahira/anganui***

**Significance**

48. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

**Engagement**

49. Given the low level of significance determined, the engagement level is low. No engagement is required.

**Attachments - *Ngaa taapirihanga***

Attachment 1 - Municipal Endowment Fund and Property Investment Policy - Track changes

Attachment 2 - Municipal Endowment Fund Policy Draft Revision

|                         |                                                                                                                                                                                                  |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| First adopted:          | 26 August 1998                                                                                                                                                                                   |
| Revision dates/version: | 6 November 2002, 6 July 2005, 10 March 2008, 10 December 2008, 8 April 2009, 2 August 2016, 14 March 2019                                                                                        |
| Next review date:       | 14 March 2022                                                                                                                                                                                    |
| Engagement required:    | Not SCP                                                                                                                                                                                          |
| Document number:        | D-2157562                                                                                                                                                                                        |
| Associated documents:   | Appointment and Remuneration of Board Members of Council Controlled Trading Organisations (CCTOs) Policy; Freeholding of Council Endowment Land Policy; Sale and Disposal of Council Land Policy |
| Sponsor/Group:          | General Manager City Growth                                                                                                                                                                      |

## Municipal Endowment Fund Policy

Deleted: 5 Property Investment

### Purpose and Scope

1. To provide principles and criteria for management of the Municipal Endowment Fund ("Fund"), and its ongoing investment.

### Principles

2. The capital of the Fund must be preserved to comply with the common law principles of endowment.
3. Income earned from the Fund must be either accumulated and become part of the fund or applied for municipal purposes.
4. The Fund should be invested in property or property development where broader economic and social benefits can be secured in support of the Council's plans, city strategy, growth and liveability.
5. Investment should seek to increase and grow the capital value of the Fund.
6. The Fund shall be subject to authoritative governance and management oversight by regular reporting to the appropriate committee of Council on a quarterly basis.
7. Minimisation of overhead operating costs of the Fund within Council to be maintained.
8. All income and expenditure attributed to the Fund should remain with the Fund in its own stand-alone balance sheet.
9. The Fund should seek to generate medium and long-term net revenue at or above market norm where possible at the lowest risk to the Council.

### Policy

5. Management of the Fund is the responsibility of Council. The responsibility for management may be delegated to a committee of Council, or to a Council Controlled Trading Organisation.
6. Where possible the Fund should be ~~invested~~ to support, advance and implement Council's strategic plans and vision. The Council will identify priorities ~~for investment~~ within each 10-Year Plan.
7. To achieve the outcomes required in paragraph 6, the entity managing the Endowment Fund may:

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Attachment 1

Item C2

- a. Carry out feasibility studies and develop master plans on best options and timings for use of the Fund for Council's approval;
  - b. Undertake new profitable medium to long term investments as cash flows allow which, over their life, will yield a substantially greater return than previously achieved;
  - c. Promote development of properties in a manner which will maximise the commercial value of the asset while supporting broader economic and social benefits for the City of Hamilton in line with Hamilton's strategies to support growth and liveability;
  - d. Encourage freeholding of remaining original endowment properties in accordance with Council's existing freeholding policy to generate capital for investment in higher yielding assets as soon as practicable;
  - e. Ensure connectivity of future developments with other key groups within the Council to drive success;
  - f. Undertake all appropriate due diligence and complete and assess business plans to mitigate risk in respect of all the Fund's investments and developments;
  - g. Enter into joint venture or turn-key developments to provide flexible options for the future with approved development partners;
8. The Council shall at all times manage the Fund on a prudent basis and in accordance with Council's legal obligations. In the course of such management Council shall
- a. Enter into and effectively administer service contracts with other public sector entities; and
  - b. Strive to minimise operating costs.
9. Where possible and appropriate any developments supported by the Fund should be undertaken in conjunction with a suitably experienced and qualified development partner (subject to appropriately documented and mutually beneficial partnership conditions).
10. All projects or proposals for investment by the Fund should include a proposed investment exit plan at a timeframe to be determined by the project needs (and partners).

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## Municipal Endowment Fund

### Purpose and Scope

1. To provide principles and criteria for management of the Municipal Endowment Fund ("Fund") and its ongoing investment.

### Principles

2. The capital of the Fund must be preserved to comply with the common law principles of endowment.
3. Income earned from the Fund must be either accumulated and become part of the fund or applied for municipal purposes.
4. The Fund should be invested in property or property development where broader economic and social benefits can be secured in support of the Council's plans, city strategy, growth and liveability.
5. Investment should seek to increase and grow the capital value of the Fund.
6. The Fund shall be subject to authoritative governance and management oversight by regular reporting to the appropriate committee of Council on a quarterly basis.
7. All income and expenditure attributed to the Fund should be reported separately to ensure the complete financial performance of the fund is transparent.
8. The Fund should seek to generate medium and long-term net revenue at or above market norm where possible at the lowest risk to the Council.

### Policy

1. Management of the Fund is the responsibility of the Council. The responsibility for management may be delegated to a committee of Council, or to a Council Controlled Trading Organisation.
2. Where possible the Fund should be invested to support, advance and implement the Council's strategic plans and vision. The Council will identify priorities for investment within each 10-Year Plan.
3. To achieve the outcomes required in paragraph 6, the entity managing the Endowment Fund may:
  - a. Carry out feasibility studies and develop master plans on best options and timings for use of the Fund for Council's approval;
  - b. Undertake new profitable medium- to long-term investments as cash flows allow which, over their life, will yield a substantially greater return than previously achieved;
  - c. Promote development of properties in a manner which will maximise the commercial value of the asset while supporting broader economic and social benefits for the City of Hamilton in line with Hamilton's strategies to support growth and liveability;
  - d. Encourage freeholding of remaining original endowment properties in accordance with the Council's existing freeholding policy to generate capital for investment in higher-yielding assets as soon as practicable;



Attachment 2

Item C2

- e. Ensure connectivity of future developments with other key groups within the Council to drive success;
  - f. Undertake all appropriate due diligence and complete and assess business plans to mitigate risk in respect of all the Fund's investments and developments;
  - g. Enter into joint venture or turn-key developments to provide flexible options for the future with approved development partners.
- 4. The Council shall at all times manage the Fund on a prudent basis and in accordance with the Council's legal obligations. In the course of such management the Council shall:
  - a. Enter into and effectively administer service contracts with other public and private sector entities; and
  - b. Strive to minimise operating costs.
- 5. Where possible and appropriate any developments supported by the Fund should be undertaken in conjunction with a suitably experienced and qualified development partner (subject to appropriately documented and mutually beneficial partnership conditions).
- 6. All projects or proposals for investment by the Fund should include a proposed investment exit plan at a timeframe to be determined by the project needs (and partners).

**Appendix 2:**

Roger Stratford

Economic Development Committee,

Addressing Item 6: Chair's Report, I note the broad sweep of today's meeting agenda themes, however, there are some comments worth making.

Firstly, the re-purposing of 'municipal endowment funds' mentioned suggests to me too great a licence over the public purse set aside for future use. These changes require legislative approval with public consultation.

Secondly, your 'tech' solution to learning catch-up from lockdown appears lean on trades' development, crucial to the post-CoVid recovery. Consultations should include private providers such as motor garages and dental clinics, rather than rely so-heavily on superficial online learning through local educational institutions.

Finally and damningly, the Chair's Report by its exclusive focus on youth training programmes, completely ignores its senior citizen population, many of whom actively seek skills retraining. Retirees will play a pivotal role in Hamilton's post-CoVid recovery. All age groups must be included in retraining assistance programmes, especially our seniors, as they still have valuable contributions to make. I can personally attest to this.

Roger Stratford