



## Te Kaha Development Project (Phase One & Two)

### Project overview

<b>Name of the project</b>	Te Kaha Development Project (Phase One & Two)
<b>Region</b>	Bay of Plenty
<b>Tier and type</b>	Tier 2: Sectors – Food and Fibre
<b>Applicant</b>	TKG Landowners Group Holdings Limited Partnership
<b>Total project value</b>	\$Commercial Information
<b>Amount of funding sought from the PGF</b>	\$Commercial Information
<b>PDU proposed financial structure</b>	\$370,000 – grant \$Commercial Information – loan and equity mix requested. <b>PDU recommends up to \$Commercial Information only.</b>
<b>PDU recommendation</b>	<b>Approve</b>

181. TKG Landowners Group Holdings Limited Partnership (TKG LLP) seek \$Commercial Information of PGF funding for the Te Kaha Development Project, designed to create a large scale increase in the uptake of land use on Māori owned land in Te Kaha.

182. **Phase One** seeks \$370,000 (from a total of \$Commercial Information) grant funding for the “planning and consent application” stage of the Te Kaha Development Project. This includes:

- i. The Water Distribution and Storage Network Plan including resource consent and drafting.
- ii. Employing a project/contract manager to develop the various projects over two years (Commercial Information from PGF and \$Commercial Information to be contributed by Commercial Information for the second year, but not included in the \$Commercial Information above).
- iii. Nursery Expansion Planning and legal drafting.
- iv. 100ha development Information Memorandum and legal agreements.
- v. Kura development and Centre of excellence design, drafting and modelling.
- vi. Other more minor infrastructural upgrades and feasibility.

183. **Phase Two** seeks \$Commercial Information for the expansion of horticultural business and other related value added initiatives. These projects broadly relate to a water distribution and storage network, nursery expansion and fruit crop development, development of a new 100 hectare kiwifruit orchard, a Commercial Information loan providing seed money for Māori land owners to enter into development joint ventures (JV) and an optional mechanism to allow the land trusts to replace existing market funders (Commercial Information). The Water Distribution and Storage Network in Phase Two covers:



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- i. Implementation of a scheme over Te Kaha land to irrigate 326.68 hectares.
- ii. Extraction structure, pump station and rising main.
- iii. Reservoirs construction.
- iv. Gravity main and water booster pump station.
- v. Finalising irrigation on new blocks for 100 hectare development.
- vi. Irrigation for existing blocks.

184. Phase Two will be conditional on the viability of the Phase One plans.

185. The purpose of the LLP is to secure the wellbeing of Māori families based in the Te Kaha area. The LLP currently oversees investment on behalf of Te Whānau-ā-Apanui landowners, in order to secure their futures via the protection and growth of their assets and other tāonga, including whenua, people, and root stock. Approximately 95 per cent of the land in Te Kaha and surrounding areas is Māori freehold land.

186. The six ahu whenua trusts own successful and viable gold variety kiwifruit orchards comprising approximately 80 hectares in Te Kaha and Ōmāio. The Trusts are in a JV with private investors supplying kiwifruit for the domestic market and for export. The JVs, established in 1999, will start to 'crystallise' over the next five years enabling each Trust to become a Commercial Information per cent owner for the first time in twenty years. Commercial Information

*PGF Whenua Māori allocation*

187. The project is consistent with criteria for the PGF Whenua Māori allocation (which will officially be announced by the Prime Minister at Otamatea Marae on 3 February 2019 at Waitangi). The PGF Whenua Māori allocation sets aside \$Commercial Information toward providing capital investment to Māori land owners to develop unproductive or underutilised Māori owned land.

188. Components of the amount requested would be tagged to both Whenua Māori and Water Initiatives as the amount permitted for PGF Whenua Māori applications is capped at \$Commercial Information

*PDU recommendation*

189. The PDU recommends a total approval of up to \$Commercial Information. Up to \$Commercial Information of the amount requested could be accounted for against the PGF Whenua Māori allocation and from the funding allocation for Water Storage.

190. The PDU recommends that \$Commercial Information of funding is structured as follows:

- i. \$Commercial Information **equity type support** (preference shares or equity if necessary) to provide irrigation for 327ha of horticultural land water storage and distribution, on condition that it proves viable in the view of the PDU and MPI. The PDU is supportive of the applicant's suggestion that this be held in trust and transferred to the appropriate entity representing the community at a later date, materially at cost



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- ii. **\$Commercial Information** loan funding for the Nursery expansion rather than the Equity co-investment requested, on the basis that it proves viable in the view of the PDU and MPI
  - iii. **\$Commercial Information** loan to provide seed capital and accelerate the development of the TKG2 100 hectare Kiwifruit Development on the basis that it proves viable in the view of the PDU and MPI. This would need to be done on commercial terms that would not create a trade subsidy in terms of WTO rules.
191. Given that the projects rely heavily on the water distribution and storage network, **the PDU recommends supporting \$370,000 (of \$Commercial Information) grant funding to finalise the “planning and application stage” of the Te Kaha Development Project** and agreeing to support further initiatives on the condition that the water distribution and storage network and other plans prove viable in the view of the PDU, in consultation with MPI.
192. The PDU recommends that the remaining **\$Commercial Information** requested is declined on the basis that it falls outside of the mandate of the PGF in that it replaces existing funders and competes with market participants. However, the PDU will engage with Te Kaha group to see if there is a mechanism by which the PGF could assist in a solution that would allow Māori Land owners to accelerate their ownership in land JVs.

### Local support

193. Local support is strong as TKG LLP is largely representative of all local Iwi. Support letters have been received from **Commercial Information**
194. This project was one of four catalytic projects presented to the Government by the Eastern Bay of Plenty Regional Leadership Group in August 2018. This was presented to Ministers Twyford, Robertson, Jackson, Mahuta and Under-Secretary Tabuteau.

### Governance

195. There is expected to be adequate support for the project, as TKG LLP has committed resources and will hire a project manager to drive the various work streams.

### Benefits

196. The project aims to support permanent, year-round employment opportunities for approximately **Commercial Information** people in Te Kaha. If successful, the project expects to result in **Commercial Information** FTEs over time, as well as developing unproductive or underutilised Māori owned land.

### Costs and funding sources

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197. Out of a total project value of **Commercial Information**, Phase 1's total value is **\$Commercial Information**, and Phase 2 is **\$Commercial Information**
198. PGF funding is requested for **Commercial Information** per cent of total costs, specifically **\$Commercial Information** (\$0.37 million (Phase 1) and **\$Commercial Information** (Phase 2)).



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<u>Stage 2 Projects</u>	<u>Requested</u>	<u>Co-Funding</u>
Water Distribution and Storage Network	\$Commercial Informatio Equity	\$Comme
Nursery expansion	\$Commercial Equity	\$Commercial Equity
<u>TKG2 – 100ha Kiwifruit Development</u> Seed Capital soft loan	\$Commer Loan	\$Comme Landowner & \$Commer Co-funding \$Commercial Inf Debt Funding
Optional soft loan for refinancing existing debt	\$Comme Loan	\$Comme, but enables earlier full JV ownership
<b>Total Stage 2 &gt;&gt;&gt;</b> \$Commercial Inf	\$Commercia	\$Commercial Inf

Commercial Information

### PDU assessment of the project

200. This section provides an overview of PDU's assessment against the PGF eligibility and assessment criteria.

#### Assessment against PGF criteria

Criteria	Rating (1✓ to 5✓)	Comment
<b>Sustainable regional economic development</b>	✓✓✓	Not initially in the planning stage which deals more with laying the groundwork for future development. However, if successful, this would result in significant benefit to Te Kaha.
<b>Productivity and innovation</b>	✓✓✓	Significant if the underutilised land is changed to support a larger agricultural industry.
<b>Increased employment, training or work readiness for the sectors workforce</b>	✓✓✓	Not initially, but in the applicant's view the longer term projects could result in Commercial FTEs over time, if they are successful.  Unfortunately, this could be overly optimistic as it assumes significant return to the area of families, given that the existing population of Te Kaha is approximately 500.



Criteria	Rating (1✓ to 5✓)	Comment
<b>NZ's ability to meet climate change commitments</b>	N/A	
<b>Māori aspirations for utilising land and other resources and achieving cultural objectives</b>	✓✓✓✓	As this builds capacity within the TPK LLP and allows for better utilisation of their asset base, it is considered to meet this criteria. If feasible this would lead to better use of Māori land.
<b>Additionality</b>	✓✓✓✓	If the projects prove viable, this could assist the TKG LLP to accelerate their current position to the benefit of the region.
<b>Connections and alignment with regional priorities</b>	✓✓✓✓	Strongly aligns with regional priorities, as the draft Eastern Bay of Plenty Regional Development Report 2018 states that the high-value horticulture on Māori land is one of the four groups of catalytic infrastructure projects that will contribute to a lift in economic productivity of the region. The current 2016 Eastern Bay of Plenty Regional Development Plan also aligns closely with the areas targeted in the TKG plan.
<b>Environmental sustainability and/or productivity of natural assets</b>	✓✓✓✓	The project specifically deals with this over the long term through better utilisation of land.

## Agency comments

TPK

201. TPK supports this application given its contribution to Māori development outcomes in relation to enabling whanau to grow their capability and access opportunities to develop sustainable enterprises; whanau and community development; enterprising whanau; and, developing Māori assets.



Commercial Inform

202. Commercial Information

This project includes the following types of funding:

- i. \$370,000 grant for preparation work
- ii. \$Commercial Information equity water distribution and storage network
- iii. \$Commercial Information loan nursery expansion
- iv. \$Commercial Information refinancing Commercial loan
- v. \$Commercial Information seed capital Commercial loan.

203.

**Commercial Information**

**Risk assessment**

204. The applicant has defined foreseeable risks well and is taking a pragmatic approach to risk management. The following risks remain:

Type of risk	Mitigation
The Community Irrigation Fund approved the first project in 2008. It appears the initial feasibility/initial design work was completed, but the next stage of detailed design was proposed in 2011 was not undertaken.	A relatively straightforward update may be all that is required. This is also mitigated by the proposed stage-gated approach.

**Recommendations and next steps**

205. The PDU recommends that you approve:

- i. A \$370,000 grant on the condition of an updated costing for the Water Distribution Network Plan
- ii. \$Commercial Information equity type support to provide irrigation for 327ha of horticultural land water storage and distribution, on condition that it proves viable in the view of the PDU and MPI
- iii. Up to \$Commercial Information loan funding for the Nursery expansion rather than the Equity co-investment requested, on the basis that it proves viable in the view of the PDU and MPI



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- iv. \$Commercial Information loan to provide seed capital and accelerate the development of the TKG2 100 hectare Kiwifruit Development on the basis that it proves viable in the view of the PDU and MPI.

PROACTIVELY RELEASED