

## 4.16 Evaluation, Cover Sheet and Decision Form

<b>Project:</b>	Hineuru Cherry Land Development Project	<b>FOR:</b>	Approval
<b>Applicant:</b>	Te Kōpere o te iwi o Hineuru Trust	<b>Pipedrive ID:</b>	
<b>Application type:</b>	Whenua Maori	<b>(A) Total Project Value:</b>	\$ Commercial Information
<b>Funding type:</b>	Loan	<b>(B) PGF Funding Sought:</b>	\$ Commercial Information
<b>Entity Type:</b>	Iwi Post Settlement Entity (PSGE)	<b>(C) PGF Funding Recommended:</b>	\$4,300,000
<b>Region:</b>	Hawkes Bay	<b>(D) Applicant Contribution:</b>	\$ Commercial Information (\$ Commercial Information PDU recommendation)
<b>Tier:</b>	1 - Regional	<b>(D/A) Co-contribution Rate:</b>	50%
<b>Sector:</b>	Agriculture / Horticulture		
<b>Application summary:</b>	<p>This project is to develop 14ha of Hineuru-owned land in Meanee, Hawke's Bay, for growing and packing cherries.</p> <p><b>Commercial Information</b></p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>Ngati Hineuru sees the PGF and the Whenua Maori programme as the natural partner for this long term ambition. It is looking to the PGF to assist with managing the significant risk of developing a commercial horticulture operation on its new and under-developed land, and to assist with providing employment opportunities for its most at-risk members.</p> <p><b>Commercial Information</b></p> <p>[Redacted]</p> <p><b>Commercial Information</b> and with no current debt.</p> <p>The PDU believes that it Free and frank opinions</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>		

### It is recommended that the IAP:

**Support** the PDU recommendation to approve up to \$4,300,000 as a loan from the PGF towards Ngāti Hineuru cherry orchard development, because:

- The project will develop currently unproductive iwi-owned land, and assist with developing an economic scale of production.
- The project will directly deliver [Commercial Information] FTEs and [Commercial Information] seasonal jobs for Ngati Hineuru members, with additional indirect job opportunities and experience available through the proposed [Commercial Information]
- Enhance the sustainability of land usage and increasing the productivity potential of the region by better use of land by growing high value horticulture.

➤ **Subject to:**

- PDU reviewing the proposed [Commercial Information] and verifying that the development can take place as envisaged, and that the relationship between Ngati Hineuru and [Commercial Information]
- A staged drawdown schedule being agreed.

➤ **Note:**

- This project will create employment in a historically disadvantaged area and employ iwi members who are unemployed. In addition the benefit of this investment will flow to a wide range of beneficiaries through the Ngāti Hineuru Trust. As a result, this project meets the criteria for Whenua Māori and a Whenua Māori [Commercial Information] Loan with [Commercial Information] during the build and pre-commercial stages is recommended by the PDU.
- All consents for development and water are in place. PDU will verify this before signing the contract.
- MPI is supportive of the project.
- Discussions are continuing with MFAT on terms for Whenua Maori loans

➤ **Note:**

- that the beneficiaries of this investment are the members of the Te Kōpere o te iwi o Hineuru Trust, and the project meets the criteria for the Whenua Māori programme, and a Whenua Māori concessionary loan
- funding for this proposal will be allocated against the Whenua Māori \$100 million from the PGF

### Section A: Triage – Assessment against PGF eligibility criteria

#### Is the project:

➤ an illegal activity?	No
➤ located in the three main metropolitan areas?	No
➤ seeking investment in large scale infrastructure of social assets?	No
➤ three waters	No

## Application description

### PGF Investment for Whenua Māori

Optimal regional growth depends on lifting the productivity of Māori owned land. It is identified as a significant opportunity for productivity enhancement in many of the regional economic action plans. The relationship between the health and productivity of the Māori economy and the health and productivity of the economy as a whole is recognised in the PGF and its criteria and investment principles.

The PGF's investment in underutilised whenua Māori will contribute to growing regional economies and complement and extend existing government investments in whenua Māori.

### Hineuru Iwi Trust

Ngati Hineuru Iwi Incorporated (NHII) was established in 2009 as the mandated entity to negotiate the Hineuru Settlement with the Crown. The Hineuru Deed of Settlement was initiated in July 2014 and ratified by Hineuru Iwi in December 2014

The overall economic objective of Hineuru is to grow its asset base to further its social, cultural and environmental aspirations. Hineuru Holdings Ltd and Hineuru Property Ltd were established to manage its investments. In addition to the cherry block purchase and development the future focus includes management & development of

### Commercial Information

Hineuru Charitable Trust was established in September 2015 to promote education of the iwi, protect the natural environment within the Hineuru rohe and provide services and programmes to meet the charitable needs of members of the iwi.

This project will help Hineuru with the development of a workforce and the establishment of investment projects close to the iwi region. With many Hineuru iwi members living in the Napier/Hastings region, and its social indicators report highlighting its uri being in the low-socio-economic demographic range, this investment will help provide jobs and begin to establish other iwi led industries in the region. Hineuru will also become a landowner in the region and can actively manage land for the betterment of the iwi.

### Hineuru Cherry Land Development Project

Hineuru has purchased **Commercial Information** ha are currently leased to **Comm**. The site has water consents to support the growth of cherries across the whole block, as well as a new water bore, water pump and power. Hineuru seeks funds for land preparation and initial setup/development costs. The Waverley block has water consent, basic irrigation infrastructure, a new water bore and power. Drainage and irrigation piping work is required before cherry planting can begin and tunnels installed. Drainage work has already begun and the final irrigation work will be completed in the next two months.

Finding and securing land with appropriate water consents was difficult for Ngati Hineuru. It has been seeking land across Napier/Gisborne for the past two years and only recently (Dec 2018) did it find and negotiate the purchase of this block as part of a wider land acquisition proposition with **Comm**. This project will provide the foundations to further grow cherries in the region for export through **Co merc**.

This project is intensive horticulture and will create new jobs on the fully operational **Comm** ha site. This project will provide jobs for Hineuru people living in the Hawke's Bay, and provide financial returns to Hineuru iwi through the settlement entity – the Hineuru Iwi Trust.

### Commercial Information



**Section B: Operational Assessment Criteria (Complete for Eols and Applications)****(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)****Fund and government outcomes**

Please highlight number below

**Would the project:**

➤ create permanent jobs?	<p>Comm permanent orchard employees and Comm seasonal roles</p> <p>Working directly with MSD to support the placement of Ngati Hineuru on the jobseekers list into training and development with the intention of job placement at the Orchard or other Hineuru Opportunities eg. Hineuru Farming</p>	N/A 1 2 3 4 5
➤ deliver community benefits?	<p>Along with delivering financial returns to the iwi trust, the project builds capability that will support Hineuru to develop its skill base moving from low skilled to skilled employment.</p> <p>The training and job creation focus of this application creates more opportunities for upward mobility for Māori in the region primarily through income growth. Income is influenced by a range of factors including education, skills, home ownership, collective assets and whānau stability. Economic growth and transformation for this part of the region should not only be captured by aggregate measures of economic output (such as GDP) but also include supporting the shift of communities into meaningful employment pathways and training to enable sustainable employment outcomes.</p>	N/A 1 2 3 4 5
➤ increase utilisation of and returns on Maori assets?	<p>A key priority for Hineuru is rebuilding an economic base, this project allows for that by diversifying the Hineuru asset portfolio. Maori in Hawke's bay earn \$132 less per week than non-Māori, approximately half of the iwi live in the region. For Hineuru, greater income equality leads to higher overall economic mobility, this enables Hineuru whanau to make choices about day to day life and longer term opportunities i.e. buying a house, starting a business, training and qualifications.</p>	N/A 1 2 3 4 5
➤ enhance the sustainability of natural assets?	N/A	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	N/A	N/A 1 2 3 4 5

**Additionality****Would the project:**

➤ add value by building on what is already there, without duplicating	The project will extend the development of under-utilised iwi-owned land resulting in sustainable employment opportunities its members.	N/A 1 2 3 4 5
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effort?		<p>➤ be a catalyst for productivity potential in the region?</p>
	<p>The Māori economy asset base is \$42.6 billion, of that about 5.6% is from Māori Trusts and Incorporations. The largest contributor to the Māori economy is through salaries and wages at 8.1% - meaning salary and wages are significant contributors to the NZ economy.</p> <p>The combination of hiring and training practices and development of underutilised land, and the <b>Co</b> with <b>Co</b> should contribute to improving productivity potential in the region.</p>	<p>N/A 1 2 <b>4</b> 5</p>

### Connected to regional stakeholders and frameworks

<b>Does the project:</b>		
<p>➤ align with regional priorities, such as frameworks, or regional plans?</p>	<p>Strong alignment with the regional economic action plan.</p>	<p>N/A 1 2 3 <b>4</b> 5</p>
<p>➤ have the support of local governance groups (councils, iwi and hapu)?</p>	<p>Proposal has support from Te Kei o Takitimu (a collective of 7 post-settlement governance entities focused on regional economic development) and Maungaharuru-Tangitu Trust (neighbouring post-settlement governance entity in Hawkes Bay).</p>	<p>N/A 1 2 3 <b>4</b> 5</p>

### Governance, risk and project execution

<b>Does the application show:</b>		
<p>➤ robust project management and governance systems?</p>	<p>Assessing technical and project management skills via the proposed <b>Comm</b> with <b>Co</b> provides a strong project management platform for successful delivery of the programme.</p>	<p>N/A 1 2 3 <b>4</b> 5</p>
<p>➤ plans for future ownership and operational management?</p>	<p>Hineuru will be long term owners of the newly acquired land.</p>	<p>N/A 1 2 3 <b>4</b> 5</p>
<p>➤ how the project will be delivered and managed?</p>	<p>This is part of the Hineuru investment programme and as such will fall within the Hineuru work programmes.</p> <p>As this is a management project, oversight of the berry development and creation will be overseen by Hineuru Chief Executive who will work with a commercial manager to manage this project from Hineuru's internal management perspective.</p> <p>Governance oversight from Hineuru's perspective will be provided by the Investment Committee - a sub-committee of the Hineuru Iwi Trust delegated with authority to make investment decisions for and on behalf of the trustees. The investment committee is made up of the following people:</p> <ul style="list-style-type: none"> <li>- <b>Privacy of natural persons</b> (Chair)</li> <li>- <b>Privacy of natural persons</b> (Director, Financial and Investment Advisor)</li> </ul>	<p>N/A 1 2 3 <b>4</b> 5</p>

	<p>- <small>Privacy of natural persons</small> (Hineuru Iwi Trust trustee)</p> <p>From a day to day perspective, an orchard project manager will be engaged to run the establishment and maintenance of the orchard. The project manager will be supported by <small>Commer</small> and their growing and horticulture experts. <small>C</small> will supply the work programme, the budget breakdown and will work closely with the project manager to achieve the required milestones for establishment, as they have the required horticultural expertise whereas Hineuru will provide the land and eventually the workers for the project.</p>	
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Section C: Risk Management Evaluation			
Does this application demonstrate consideration of the following risks?			Yes
Type of risk	Risk description	Mitigations	Risk Rating
<input checked="" type="checkbox"/> Project risk	The harvesting yield per plant does not meet the expectation and operating cost overrun	The staged approach will assist in mitigating this risk.  Shareholders (Te Kopere o te iwi o Hineuru Trust) would have to cover an overrun.	Medium
<input checked="" type="checkbox"/> Operational risk	The risk that the <small>Commercial In</small> <small>Commercial Informat</small> falls over	Hineuru own the land and trees, and would seek an alternative commercial arrangement.	Low
<input checked="" type="checkbox"/> Macroeconomic risk	Currency fluctuation	Using hedging instrument if necessary via the <small>Commercial Infor</small>	Low
<p><b><i>If the answers to the first question is NO, or assessments of risk(s) are HIGH, discuss with an Investment Director.</i></b></p>			

## Section D: Funding and financial analysis

Please highlight number below

## Does the application show:

➤ How strong is the financial position of the applicant organisation?

According to the consolidated financial position as at 30/6/2018, the applicant has a very strong financial position of approx \$<sup>Commercial</sup> cash in bank and no debt.

N/A 1 2 3 4 5

	\$
total current assets	Commercial Information
total non-current assets	Commercial Information
total current liabilities	Commercial Inform
net assets	Commercial Information

The table represents the consolidated position of the iwi, which holds the following groups:

- Hineuru Holdings Ltd
- Hineuru Property Ltd
- Hineuru Corporate Trustee Ltd
- Hineuru Charitable Trust

➤ How does the scale of the project compare to their overall business?

This is medium-large scale project which will require careful oversight from Hineuru.

N/A 1 2 3 4 5

➤ Why is Crown funding being sought rather than commercially-available funding?

It is seeking government funding because <sup>Commercial Information</sup>. The funds sought are to support development costs as the applicant states that it cannot fully cover these costs at this time, and would need to delay aspects of the project if the loan funding was not available.

N/A 1 2 3 4 5

➤ What does the independent financial analysis/ business case indicate?

Comparative projects and analysis from MPI relating to the cherry industry indicate that is one of the most profitable uses of suitable land.

N/A 1 2 3 4 5

➤ Is the funding model requested appropriate?  
Is the PDU recommending a different model?

Funding model is appropriate ie secured loan

N/A 1 2 3 4 5

➤ Has the applicant provided evidence of market pull for this project?

The Coriolis Report 2018 (contracted by MBIE, MPI, and NZTE to identify emerging growth opportunities for NZ food and beverage industry) reconfirmed the seasonal opportunity for southern hemisphere sweet cherry producers and that NZ cherries command a premium in the Asian marketplace.

N/A 1 2 3 4 5



	<p>Major competitor is Chile with 78% of the southern hemisphere production, but lacking direct airfreight links to growing Asian markets. Commercial Information's sales strategy is to sell direct to retailers where possible and utilise e-commerce sales channels, reducing cost and delivering a fresher product to customers</p> <p>Current export markets supplied by Commercial Information include: Taiwan, China, Vietnam, Thailand and Singapore.</p> <p>Commercial Information contribution to Comm includes provision of market access expertise, distribution and exporting</p>																	
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>Cherry Trees sourced and ordered from NZ Fruit Tree Company. NZ Fruit Tree Company granted Hineuru licence to commercially grow the cherry trees.</p>	<p>N/A 1 2 3 4 5</p>																
<p><b>Summary of funding and financial analysis:</b></p>	<p>Ngati Hineuru is in a strong financial position, with the ability to provide more of a contribution to this project</p> <p><b>Growth forecasts / projections post project completion.</b> The growth forecasts and projections are based on the following key assumptions. Per hectare production levels, export and local sales price, the expected sales mix and orchard operating costs. Post projection completion (year 00) the attached financial information indicates Hineuru will receive the following income and return on investment. These forecasts do not include the potential increase in land value post project completion.</p> <table border="1" data-bbox="470 1176 1197 1227"> <thead> <tr> <th>Year</th> <th>Mar Commerc</th> <th>Mar Commerc</th> <th>Mar Commer</th> <th>Mar Commerc</th> <th>Mar Commerc</th> <th>Mar Commerc</th> <th>Mar Commerc</th> </tr> </thead> <tbody> <tr> <td>EBI</td> <td>(Commercial</td> <td>(Commercial</td> <td>(Commercial</td> <td>(Commercial</td> <td>(Commerc</td> <td>Commercial In</td> <td>Commercial Infor</td> </tr> </tbody> </table> <p><b>Cashflow and Bank funding</b></p> <p><b>Commercial Information</b></p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	Year	Mar Commerc	Mar Commerc	Mar Commer	Mar Commerc	Mar Commerc	Mar Commerc	Mar Commerc	EBI	(Commercial	(Commercial	(Commercial	(Commercial	(Commerc	Commercial In	Commercial Infor	<p>N/A 1 2 3 4 5</p>
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EBI	(Commercial	(Commercial	(Commercial	(Commercial	(Commerc	Commercial In	Commercial Infor											

<b>Funding arrangements</b>			
Outlined below			
<b>Proposed Term Sheet Summary (noting full term sheet will be developed post decision)</b>			
<b>Key loan details to be considered</b>			
<b>Structure</b>	Loan	<b>Interest rate</b>	Commercial Information %
<b>Maximum funding amount</b>	\$4,300,000	<b>Default interest:</b>	Comm %
<b>Co-funding</b>	\$ Commercial Information	<b>Loan repayment terms:</b>	Comm arc 21 information years Commercial
<b>Term</b>	Comm years	<b>WTO</b>	Discussions with MFAT on the ability to provide Commercial Information funding arrangements for Whenua Maori projects are ongoing
<b>Security</b>	Commercial Information		
<b>Concession(s) (if applicable)</b>	Commercial Information		
<b>Consultation from partner agencies undertaken or implications</b>			
MPI support the application			
Discussions with MFAT on the ability to provide Commercial Information funding arrangements for Whenua Maori projects are ongoing			

### Conflicts of interest and T&Cs

The PDU conducted initial due diligence on the Hineuru trust and group, and **Commercial Information** which found:

- Philip John Alison
  - Privacy of natural persons
  - Privacy of natural persons
  - Privacy of natural persons
- Privacy of natural persons
  - Privacy of natural persons
- Privacy of natural persons
  - Privacy of natural persons

The PDU is of the view that these findings do not require further investigation in relation to the funding request, and notes that the Trust has an independent investment committee and an audit and risk committee. The PDU will continue to monitor the governance of this project while Ngati Hineuru holds PGF funding.

### Summary statement of Peer Review undertaken

The following Peer Review has taken place in connection with this application:

All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SRCs / IAP.

Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.

In the development of this form:

- i. A peer review by an Investment Director has taken place and included the following to the satisfaction of the peer reviewer:
  - a. An evaluation against the PGF criteria;
  - b. Financial analysis;
  - c. A risk assessment, highlighting any relevant or key risks;
  - d. Conflicts of interest have been noted and accepted; and
  - e. The peer reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Peer Review has been completed

Yes

**Supporting proposal:**

Yes

**Appendices:**

Yes – Applications and supporting letters are as annexes]

**Author of paper:**

SH/AM, PDU Investment Team