

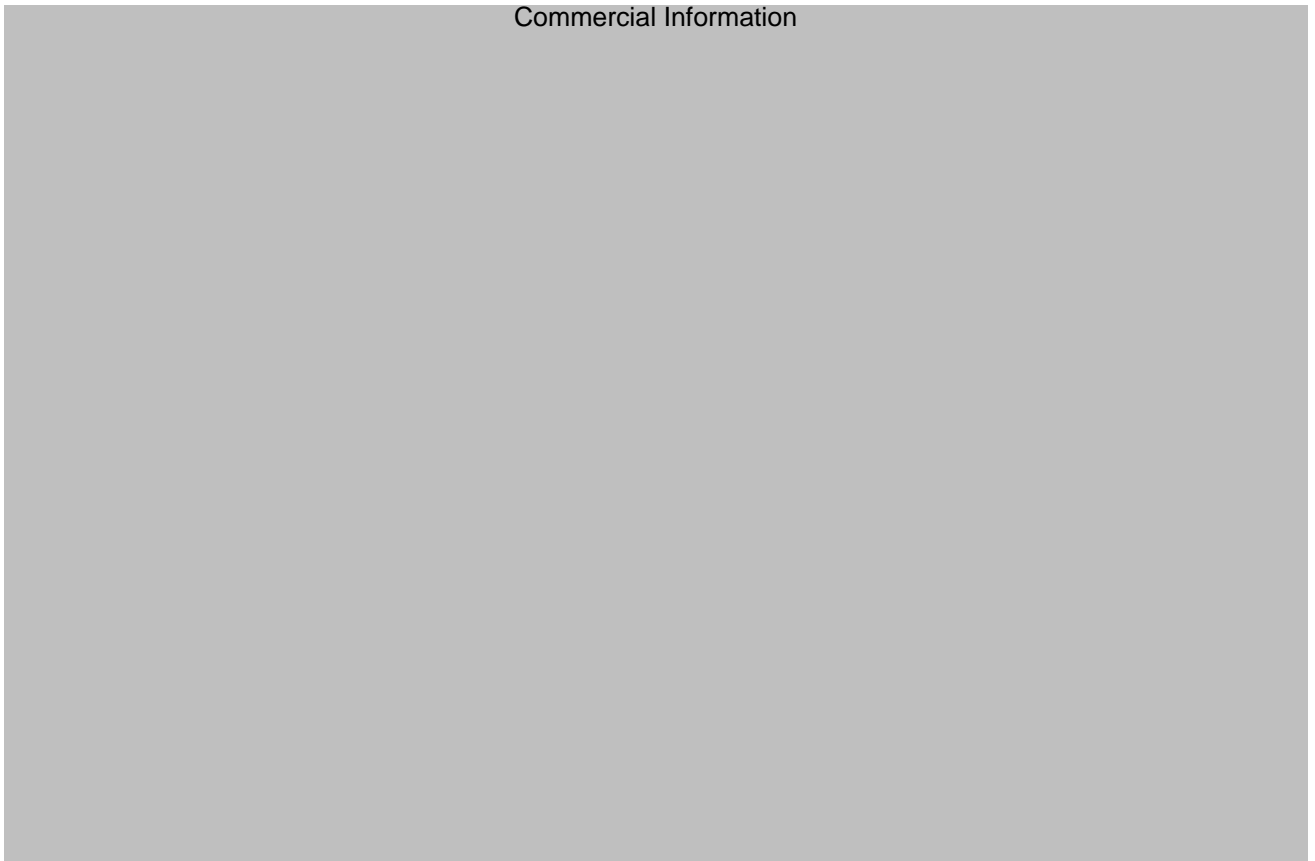
Invercargill – Our City for Tomorrow

Projects overview

Name of the project	Invercargill – Out City for Tomorrow
Region	Southland
Tier and type	Tier 1: Regional
Applicant	HWCP Management Ltd
Estimated total project cost	\$Commercial Information
Amount of funding sought from the PGF	\$Commercial Information
Financial instrument	Commercial Information (to be negotiated by PDU)
PDU recommendation	Approve for Cabinet consideration

44. HWCP Management Ltd (HWCP) seeks \$Commercial Information from the PGF to redevelop a block in the Invercargill CBD. The proposal is to create a high-quality mixed-use precinct that provides for and attracts high-quality retail, restaurants, office space and entertainment, in order to rejuvenate the inner city, whilst preserving the heritage of key buildings of significance.
45. The Invercargill CBD is rundown and a seismic risk. This has caused vulnerability for businesses, as consumers' look elsewhere for the products and experiences expected from a city centre. The applicant has stated that the lack of a heart and state of the inner-city is cited as a reason people do not want to come to live in Invercargill, or Southland.
46. A key goal of the Southland Regional Development Strategy (SoRDS) Action Plan is to achieve 10,000 more people living in Southland by 2025. SoRDS identified this project as the key project to rejuvenate the inner-city, as the first step to addressing de-population in the region (a key problem identified for the region). HWCP anticipates the proposed inner-city re-development to drive more people to seek to live and work in Southland, when perceived negatives such as distance and climate are exceeded by perceived benefits of jobs, discretionary income, quality of life, lifestyle and environment.
47. The revitalisation of Invercargill's city centre is seen as a way to:
- attract business and local shoppers back into the central city. Putting vacant or abandoned buildings back into use will aid economic development.
 - breathe life into the city and providing the commercial sector confidence in accelerating investment in Southland.
 - improve liveability and local businesses ability to successfully recruit and retain talented people in the region.
 - act as a gateway to the region for the growing tourism numbers and help monetise tourism.
 - further enhance its educational facilities and ability to attract more students and bring them into a vibrant city centre.

48. There are ^{Commercial Information} stages to the overall project, shown below. HWCP have applied for funding for Stages 1 to 3.



49. ^{Commercial Information}
50. Construction completion is timed for ^{Commercial Information}. The PGF-funded project is expected to be a catalyst for a further \$^{Commercial Information} of central city investment from peripheral developments.

PDU recommendation

51. The PDU recommends that HWCP's application is taken to Cabinet to seek approval. Any Cabinet approval sought would be subject to:
- a. A minimum of \$^{Commercial Information} of equity being confirmed (excluding PGF contribution)
 - b. Resolution of the \$^{Commercial Information}
 - c. Shareholders agreement covering shareholders, directors etc, including agreement on a PGF exit strategy, to the satisfaction of the PDU
 - d. All necessary consents being granted
 - e. ^{Commercial Information}
 - f. Receipt, to the satisfaction of the PDU, of a formal valuation of the proposed redevelopment.

52. ^{Commercial Information}

Commercial Information

[Redacted]

53. The PDU ask to be given the discretion to negotiate the best form of PGF support [Redacted]. The PDU estimates that as this will be going to Cabinet, funds will begin to flow to the applicant at the [Redacted].

Local support

54. HWCP has consulted widely on the project, including with iwi, the wider community and their regional partners, and has gained strong support. Letters of support have been provided by [Redacted] Commercial Information [Redacted]

Governance

55. HWCP was formed to undertake the planning and secure ownership of the key sites for the project. A new legal entity will be formed (which is understood to be Invercargill Central Ltd) to own and operate the property asset, with the project sites (stages 1, 2, and 3.) currently held by HWCP to be transferred to this new entity. [Redacted] Commercial Information [Redacted].
56. The Board, key management and future ownership for this project are yet to be confirmed. Acceptable shareholders' agreement (satisfactory to the PDU) is a condition precedent for this project.

Shareholders

Shareholder (proposed new entity)	%
[Redacted] Commercial Information	Comme
[Redacted] Commercial Information	Comme
[Redacted] Commercial Information	Comme
[Redacted] Commercial Information	Comme
MBIE / PGF	Comme

Benefits

57. The project is expected to be a catalyst for a further \$[Redacted] Commercial Information of central city investment from the peripheral developments [Redacted] Commercial Information, which will all be separately developed and funded.
58. The [Redacted] Commercial Inform report prepared as part of the business case indicates an expected [Redacted] Commercial Information jobs created for the rebuild; and an increase in the Southland population of between 3,000 and 10,000 permanently (without the proposed re-development, they estimate that there could be a further loss of 5,000 people).
59. The direct and flow-on effects of increased investment, tourism spending, and employment at the regional level are significant (based on a [Redacted] Commercial Inform report):
- Southland's real GDP increases by \$[Redacted] Commercial Information ([Redacted] Commercial %) per year and real household spending increases by \$[Redacted] Commercial Information ([Redacted] Commercial %) per year.

- supplying industries in the Southland economy are positively affected by an increase in investment, tourism spending and employment. Output of Southland industries is expected to increase annually by \$Commercial Information and \$Commercial Information (under Commercial Information two simulations).
- industries such as food and beverages, accommodation, retail, sports and recreation expand because of the increase in tourism spending stemming from the re-development of Invercargill's city centre.

Costs and funding sources

60. Total estimated project costs are between a low end estimate of \$Commercial Information; and a high end estimate of \$Commercial Information.
61. Proposed investors in the project, with total equity of \$Commercial Information, are:
- Commercial Information
 - Commercial Information
 - Commercial Information
 - Commercial Information
 - the PGF \$Commercial Information (requested).
62. Commercial Information
63. It has been agreed all shareholders will be treated equally, in terms of capital injections. It is Commercial Information
64. Commercial Information
65. PDU has raised the issue of the requested funding assistance by way of equity, as against a possible loan. Further evaluation of this will be necessary Commercial Information

PDU assessment of the project

66. 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
Sustainable regional economic	✓✓✓✓	Engages and activates the city socially by giving people a public

Criteria	Rating (1✓ to 5✓)	Comment
development		<p>place and spaces to connect, and in doing so rejuvenates the inner-city and creates social value, cohesion and resilience.</p> <p>Builds pride in the region and helps shift negative perception of the low quality of urban lifestyle and liveability in Invercargill.</p> <p>The project addresses and removes the seismic and health and safety risk attached to the CBD buildings, but preserves key heritage building frontages.</p>
Productivity and innovation	✓✓✓✓	<p>The direct and flow-on effects of increased investment, tourism spending, and employment at the regional level are significant (based on the <small>Commercial Information</small> report):</p> <ul style="list-style-type: none"> • Southland's real GDP increases by \$<small>Commercial Information</small> (<small>Commercial</small> %) per year and real household spending increases by \$<small>Commercial Information</small> (<small>Commercial</small> %) per year. • Supplying industries in the Southland economy are positively affected by an increase in investment, tourism spending and employment. Output of Southland industries is expected to increase annually by \$<small>Commercial Information</small> and \$<small>Commercial Information</small> (under <small>Commercial Information</small> two simulations). • Industries such as food and beverages, accommodation, retail, sports and recreation expand because of the increase in tourism spending stemming from the re-development of Invercargill's city centre. • Higher incomes for households lead to increased spending in industries such as other personal services, retail and real estate services. • Increase visitor spend for

Criteria	Rating (1✓ to 5✓)	Comment
		<p>tourists incrementally above what would already have come to the region.</p> <ul style="list-style-type: none"> HWCP have met with the trades training team at Southland Institute of Technology and have requested that they increase the intakes to the building trades courses to achieve more trained labourers (pre trade course), and more qualified builders (full apprentice training).
Increased employment, training or work readiness for the sectors workforce	✓✓✓✓	<p>Estimated to create Commercial Information per annum construction jobs over the rebuild period; and retail & hospitality jobs estimated to be Commercial Information permanent FTE. HWCP Procurement Strategy provides a commitment that as much of the local resources that can be, are employed into the projects thereby assisting the local economy and the local employment.</p>
NZ’s ability to meet climate change commitments	N/A	
Māori aspirations for utilising land and other resources and achieving cultural objectives	✓✓	<p>Commercial Information have been engaged, and have actively participated and contributed to the development of SoRDS and the development of the Action Plan.</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>Commercial Information</p> <p>HWCP are also working with iwi to contribute to the Murihiku story by sharing their ideas on concepts for design, sharing Ngāi Tahu heritage and culture to be of the new inner-</p>

Criteria	Rating (1✓ to 5✓)	Comment
		city spaces. Commercial Information [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
Environmental sustainability and/or productivity of natural assets	N/A	
Additionality	✓✓✓✓	The proposed private/public partnership proposal has significant regional/local commitments ([REDACTED] % co-funding, Commercial Information [REDACTED]). The PGF \$Commercial Information contribution will enable the regional / local investment of \$Commercial Information to be leveraged in the development, and an anticipated further downstream regional investment of \$Commercial Information in peripheral projects to rebuild the CBD for the future.
Connections and alignment with regional priorities	✓✓✓✓✓	This project is the key project identified by SoRDS. SoRDS is a region-wide initiative focussed on building a thriving and prosperous future for Southland. SoRDS was initiated by the Southland Mayoral Forum in 2014 to address the key problem identified of depopulation. SoRDS is a unified Southland approach, and identified 3 key challenges: <ol style="list-style-type: none"> 1) Grow Population (primary goal - to attract 10,000 new people to the area) 2) Diversify the regional economy (secondary goal, but dependent on the primary goal being achieved) 3) Strengthen local business (secondary goal) The inner-city rejuvenation is the overall anchor to the Action Plan.

Risk assessment

67. The following risks have been identified:

Risk description	Mitigations
Cost risk: Costs in excess of high total estimated project cost.	A 0% project contingency has been incorporated. Additionally, the site is flat, with easy access, and an experience project directors and quantity surveyors have been appointed.
Consents: Consents not granted (formal decision by commissioners due [redacted], with appeal period closing [redacted]).	Obtaining the necessary consents will be a conditional precedent of any agreement. It was announced [redacted] that the resource consent has been granted (subject to a 15 working day period for appeals).
Construction: Quality of construction and completion within timeframes.	Experienced and reputable contractors have been shortlisted.
Securing and housing construction workforce: Inability to secure and accommodate man-power.	HWCP has engaged with some group housing companies to spec build to rent. Southern Institute of Technology build transportable housing as part of their trade training programme, and increase in the volume re-site once completed. HWR own a number of houses around the museum which can be freed up for working accommodation. [redacted]

Recommendations and next steps

68. The PDU recommends that HWCP's application is taken to Cabinet to seek approval. Any Cabinet approval sought would be subject to:

- a. A minimum of \$ [redacted] of equity being confirmed (excluding PGF contribution)
- b. Resolution of the \$ [redacted] Commercial Information
- c. Shareholders agreement covering shareholders, directors etc, including agreement on a PGF exit strategy, to the satisfaction of the PDU
- d. All necessary consents being granted
- e. [redacted] Commercial Information
- f. Receipt, to the satisfaction of the PDU, of a formal valuation of the proposed redevelopment.
- g. PDU being given discretion to negotiate the best form of PGF support (equity or loan).