

## 3.11 Nga Whenua Kaikohe

### Evaluation, Cover Sheet and Decision Form

<b>Project:</b>	Ngā Whenua Kaikohe		<b>FOR:</b>	<b>Approval</b>
<b>Applicant:</b>	Omapere Rangihama Ahu Whenua Trust (ORT)		<b>Pipedrive ID:</b>	Commercial Information
<b>Application type:</b>	Whenua Māori	<b>(A) Total Project Value:</b>	\$ Commercial Information	
<b>Funding type:</b>	Grant	<b>(B) PGF Funding Sought:</b>	\$ Commercial Information	
<b>Entity Type:</b>	Maori Land Trust	<b>(C) PGF Funding Recommended:</b>	\$1,532,000	
<b>Region:</b>	Northland	<b>(D) Applicant Contribution:</b>	Landowners are each contributing Commercial Information to the project. Commercial Information will provide training and labour, store and provide equipment for the co-operative and house the project manager.	
<b>Tier:</b>	2 - Sectors	<b>(D/A) Co-contribution Rate:</b>	Com. %	
<b>Sector:</b>	Agriculture / Horticulture			
<b>Application summary:</b>	<p>A grant is sought to develop Commercial Information of vineyards on five separate Māori land blocks in the Kaikohe area over the next Commercial Information</p> <p>The project will test the viability of expanding the Northland wine industry through the growing of niche grape varieties.</p> <p>The project includes:</p> <ul style="list-style-type: none"> <li>• planning, research and analysis;</li> <li>• planting and growing of the vines until production; and</li> <li>• training of staff in all aspects of viticulture.</li> </ul> <p>Funding is sought by Omapere Rangihama Ahu Whenua Trust (ORT) on behalf of the landowners, it is planned that the funding will be lodged with an agreed fund holder Commercial Information which will disburse funds in accordance with instructions of the co-operative.</p> <p>It is the PDU's view, that there are number of outstanding matters to be addressed and significant risks associated with this project, including the proposed fund holding structure, the suitability of the land, the level of market analysis undertaken, financial sustainability and the level of information still needed from the entities.</p> <p>However, on balance, as long as these risks can be addressed or mitigated, the project is supported by the PDU, as it aligns strongly to the aspirations of the Whenua Māori allocation and concerns listed in the evaluation by both the PDU and MPI should and could be addressed prior to contracting.</p>			

**The PDU recommends that the IAP:**

**In principle agree to approve** an up to \$1,532,000 grant from the PGF towards the development of <sup>Commercial Information</sup> of vineyards on five separate Māori land blocks in the Kaikohe area

- because
  - a grant will support five Māori landowners to better utilise their land and will unlock potential for further investment, create employment, and lead to increased income and wellbeing. In turn these outcomes will increase the prosperity of the region;
  - this funding will bridge the divide between small landowners with limited financial capability to progress over time into commercial operations; and
  - of the alignment to the PGF approved Te Ara Mahi project, in which <sup>Commercial Information</sup> are delivering a related pre-employment programme and skills and training hub for Kaikohe.
  
- Subject to:
  - the project being funded in two phases:
    - a. **Phase one** is to complete the detailed project plan (including cost and technical verification); and
    - b. **Phase two** completing the work against the agreed project milestones;
  - PGF funding of up to \$<sup>Commercial Information</sup> be used to fund phase one, this phase will include the following conditions:
    - the PDU being satisfied with final project plan and costings, due diligence and financial review findings, and recruitment of project management and technical expertise;
    - funding will be released in tranches against contracted milestones;
    - fund holding structure and the cooperative arrangements confirmed and agreed to the satisfaction of the PDU;
    - letters of support being provided by the <sup>Commercial Information</sup>
    - water consent or a plan for dealing with water requirements being confirmed to the satisfaction of the PDU; and
    - further Ministry of Primary Industry review and consultation being undertaken including, but not limited to, land and grape suitability, market demand, financial sustainability and location/soil type of the different blocks.

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

➤ Is the project an illegal activity?	<b>No</b>
➤ Is the project located in the three main metropolitan areas?	<b>No</b>
➤ Is the project seeking investment in large scale infrastructure of social assets?	<b>No</b>
➤ Is the project seeking investment for three waters?	<b>No</b>

**Application description**

**Five Landowners**

It is proposed that five landowners in the Kaikohe district will combine their governance, management, infrastructure and land assets to establish a commercial vineyard operation. The project land is currently zoned as rural therefore no resource consent issues are foreseen by the applicant for this project.

The PDU is awaiting information in regard to water consents and an approval recommendation will be subject to confirmation and satisfaction of these arrangements.

The PDU is also awaiting details of the landowning entities below including their governance structures, key personnel, trust deeds etc.

Landowner	Background - Current Operations
Commercial Information	

These landowners will be equal members of an agreed co-operative entity (likely an Incorporated Society) comprising five members. Funding is sought by ORT on behalf of the landowners.

If funding is secured it will be lodged with an agreed fund holder **Commercial Information** which will disburse funds in accordance with instructions of the co-operative (further detail is below).

**Background**

The applicant highlights a Ministry of Primary Industries (MPI) study that identified 82,000ha of Māori owned land within a 50 km radius of Kaikohe. Many of these Māori land blocks are not utilised or under-utilised.

The applicant also raises that there are very few local examples of Māori land owners working together to pursue a single commercial vision.

Although there are barriers to cooperation **Commercial Information** there are a number of positives that enhance the value proposition of this proposal including:

- good land and climate;
- available workforce and Te Ara Mahi initiatives underway to build the capacity and capability of local rangatahi;
- interested landowners whose properties are in close proximity to one another, with the ability to make decisions on their land;
- strong interest from those landowners to work within a co-operative model;
- relevant infrastructure from **Commercial Information**, who own a vineyard;
- good potential partners and advisors – specialist viticulture/Plant and Food advisors and the local Bay of Islands wine industry.

In February 2018, **Commercial Information** in Te Ara Mahi grant funding to deliver a sustained pre-employment programme and develop a skills and training hub for Kaikohe. The initial phase will involve training and development in Agriculture, Forestry and viticulture industries. **Commercial Information** has governance, risk management and project execution

processes as it supports a He Poutama Rangatahi project and has existing contracts with other government agencies.

### Project Plan and Feasibility

A full feasibility for the project has not been conducted. The applicant notes that feasibility of this model will be tested through its implementation.

Advice has been sought from viticulture specialists on the viability of each of the land blocks for grapes including the most suitable varieties. A budget for establishment of a viable crop on each block has also been discussed. The PDU is awaiting this information; any approval recommendation will be subject to receiving and being satisfied with these reports.

In addition, the PDU has sought input from MPI on the project.

#### Commercial Information

**Commercial Information** has engaged with the project and shown interest in undertaking field research on land that is part of the proposal. In November 2019, it completed an analysis of the soil and climate for **Commercial Information** land, including an assessment for the suitability for Pinot Noir and Sauvignon Blanc. The PDU has not seen results of the research and a requirement will be that this research will need to be reviewed by MPI.

In early 2020, a more in-depth analysis will be conducted including soil analyses to determine soil limitations and mitigation methods.

The project activity is outlined by the applicant below, a more detailed project plan has been requested and will be required if funding is secured.

#	Project Activity	Responsible:	Date / Period:
1	Delivery of detailed plan, including updated financials	Not detailed	Commercial Information
2	Delivery of Block Planning and Research Phase (Year 1)	Not detailed	Commercial Information
3	Delivery of a marketing and business development strategy, including updated financial forecasts and market analysis	Not detailed	Commercial Information
4	Delivery of Preparation and Planting Phase (Year 1)	Not detailed	Commercial Information
5	Delivery of Production Phase (focus on training and maintenance) (Year 1)	Not detailed	Commercial Information
6	Delivery of key activities in Post Phase (Year 1)	Not detailed	Commercial Information

### Budget

The budget provided by the applicant outlines further high-level activity and associated estimated costings. This can be found in Annex One attached. It covers: **Annex withheld - Commercial Information**

- Project Management/Support etc.
- Legal and Compliance costs
- Block plans (**Commercial Information**) - block analysis and testing
- Clearing, maintenance, beautification
- Fencing

- Land treatment
- Water/irrigation solution
- Storage
- Biosecurity
- Vines and support (plant, equipment & machinery)
- Labour
- Harvesting
- Marketing, communications and business development

### **Project Ownership and Management**

Each landowner will make available between <sup>Commercial Information</sup> to the project and will develop a block plan.

The block plans will form the basis of a <sup>Commercial Information</sup> development plan that will be agreed by the co-operative. It will establish infrastructure and detailed funding requirements for each of the land blocks, an overall marketing strategy, and an implementation plan. Landowners will share resources to implement the development plan.

A project manager will be appointed by the co-operative to prepare and implement the development plan, including engaging specialist and technical advice.

<sup>Commercial Information</sup>

Key plant and machinery for this project will be held by <sup>Commercial Information</sup> and it will provide training (including whānau of landowners) and skilled labour for the project.

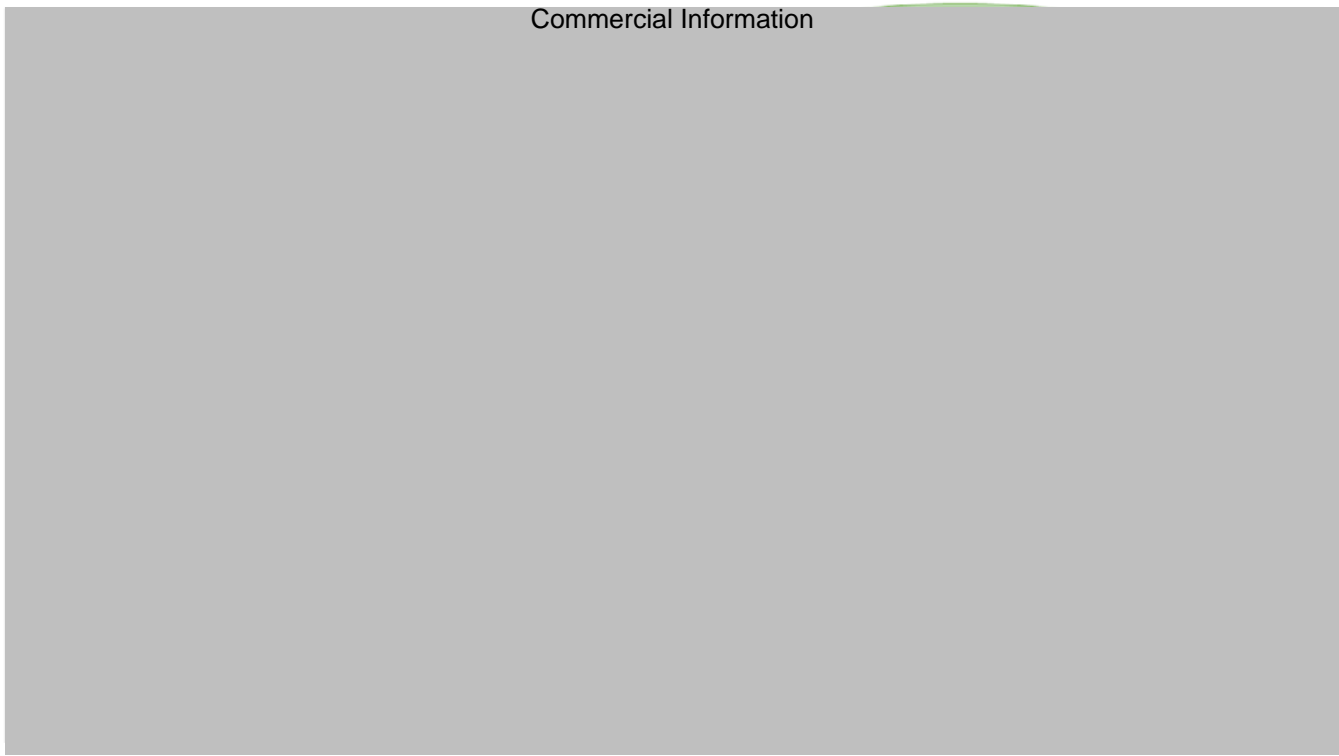
### **Fund Holding Entity**

Currently the applicant does not have a finalised 'fund holding entity'. The structure is proposed below and any recommended funding will be subject to these arrangements being finalised.

The co-operative will appoint an appropriate fund holder <sup>Commercial Information</sup> to hold the grant received for this project. Funds will be released by the fund holder in accordance with a development plan approved by the co-operative.

### **Figure 1: Proposed Co-Operative Structure**

Commercial Information



### Project Governance

Currently the governance arrangements are as proposed above. Any recommended funding will be subject to these arrangements being finalised, and an agreed project manager being appointed with commercial expertise.

The governance body will be a legal entity, most likely an Incorporated Society. It will comprise two members from each of the five participating land blocks.

The governance entity will engage a project manager and any advisers, approve an overall development plan, monitor progress as reported by the project manager, resolve any issues that emerge between members, and approve payments over an agreed threshold.

### Project Management

A project manager will be appointed by the co-operative. The project manager will be based at Commercial Information and will be responsible for:

- engaging with governance, advisers and managing the project administrator;
- working with individual landowners to prepare individual development plans as well as an overall development plan for the co-operative's approval;
- engaging contractors and experts;
- managing plant, equipment and labour requirements;
- co-ordinating the implementation of the development plan; and
- co-ordinating the associated research.

A project administrator will also be appointed to support the project manager; this role is intended to be filled by a whānau member from one of the landowners, to help ensure knowledge and skills transfer and continuity beyond the Commercial Information period. Commercial Information will provide a space for the project manager and administrator to work from.

## Co-Funding

Commercial Information will provide training and labour, store and provide equipment for the co-operative and house the project manager.

### Summary of PDU view

It is the PDU's view, that there are number of outstanding matters to be addressed and significant risks associated with this project, including the proposed fund holding structure, the suitability of the land, the level of market analysis undertaken, financial sustainability and the level of information still needed from the entities.

However, on balance, as long as these risks can be addressed or mitigated, the project is supported by the PDU, as it aligns strongly to the aspirations of the Whenua Māori allocation and concerns listed in the evaluation by both the PDU and MPI can be addressed prior to contracting.

## Overseas Investment Office

- |   |    |
|---|----|
| ➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted) | No |
|---|----|

Does the Application have a Te Ara Mahi (TAM) component?	No
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## Section B: Operational Assessment Criteria (Complete for EoIs 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?	The project creates jobs with a focus on the local Māori communities. Numbers at this stage are unclear. Any approved funding would be subject to an outline of the number of jobs prior to contracting.	N/A 1 2 3 4 5
➤ deliver community benefits?	This project identifies a potential growth industry and opportunity for Māori landowners and builds on whānau skill and capability in land productivity, governance and business management. Skill and training programmes will also enable a number of rangatahi to up-skill.	N/A 1 2 3 4 5
➤ increase utilisation of and returns on Maori assets?	This project improves economic opportunities and productivity by facilitating establishment of a co-operative structure as a means for providing Māori landowners with support and co-ordination. Supports whānau to better utilise their land assets; and supports	N/A 1 2 3 4 5

	whānau to increase their capacity and capability.	
➤ enhance the sustainability of natural assets?	The initiative encourages owners of Māori land to make sustainable use of their land.	N/A 1 2 3 4 5
➤ mitigate climate change effects, or assist with the lowering of emissions?	Not evident.	N/A 1 2 3 4 5
<b>Additionality</b>		
<b>Would the project:</b>		
➤ add value by building on what is already there, without duplicating effort?	The project has potential to improve land utilisation through the cultivation of vines versus current un-utilised/under-utilised land.	N/A 1 2 3 4 5
➤ be a catalyst for productivity potential in the region?	The establishment of vines presents an opportunity for increased productivity potential in the region. Combine this with the development of training, it will further upskill workers in the region and subsequently, economic growth within the region.	N/A 1 2 3 4 5
<b>Connected to regional stakeholders and frameworks</b>		
<b>Does the project:</b>		
➤ align with regional priorities, such as frameworks, or regional plans?	The project aligns closely with the Tai Tokerau Northland Economic Development Plan (TTNEAP). Land and water is a priority area for the TTNEAP, this project offers the region a new approach to working with Māori landowners. Formal engagement with TTNEAP will occur in the future. The applicant notes that Te Puni Kōkiri's regional office has offered advice and support to the project.	N/A 1 2 3 4 5
➤ have the support of local governance groups (councils, iwi and hapu)?	There is no indication that this project has been raised with local governance groups in the application.	N/A 1 2 3 4 5
<b>Governance, risk and project execution</b>		
<b>Does the application show:</b>		
➤ robust project management and	Management and governance systems need firming up. Involvement of <small>Commercial Information</small> mitigates some of these concerns as it	N/A 1 2 3 4 5



governance systems?	has good existing governance, risk management and project execution processes.	
➤ plans for future ownership and operational management?	At the end of the project <sup>Commercial Information</sup> it is expected that a minimum of <sup>Commercial Information</sup> of land will be producing grapes. That land will remain in the ownership of each of the landowner trusts, and it will be their decision whether or not to continue to expand and enhance the asset.	N/A 1 2 3 4 5
➤ how the project will be delivered and managed?	Management and delivery of the project will be overseen by the yet to be appointed Project Manager/Project Admin. Appointment of the Project Manager should be discussed with the PDU.	N/A 1 2 3 4 5

### Section C: Risk Management Evaluation

Does this application demonstrate consideration of the following risks?

No

Note that the PDU is awaiting risk information from the applicant.

Type of risk	Risk description	Mitigations	Risk Rating
<input checked="" type="checkbox"/> Project risk	Progress may be delayed at different phases of the project.	Ensure evidence of meeting milestones/deliverables at each phase of the project before release of funding.	Medium
<input checked="" type="checkbox"/> Cost risk	Costs may exceed original budget.	Ensure cost quotes for key stages of the project are presented to the PDU's satisfaction before release of deliverable funding.	Medium
<input checked="" type="checkbox"/> Consent risk	Lack of clear arrangements for water may negatively impact the project.	Ensure the applicant has a confirmed plan in place before release of funding.	Medium
<input checked="" type="checkbox"/> Management risk	Lack of clear arrangements for the fund holding structure may negatively impact the project.	Ensure the applicant has a confirmed plan in place to the satisfaction of the PDU before release of funding.	Low

Section D: Funding and financial analysis		Please highlight number below
<b>Does the application show:</b>		
➤ How strong is the financial position of the applicant organisation?	The PDU requires a full set of accounts from the relevant entities, and any approval recommendation will be subject to detailed financial analysis and satisfaction of this analysis.	N/A 1 2 3 4 5
➤ How does the scale of the project compare to their overall business?	The majority of the landowners are new to grape growing; however they have noted the support and advice of industry experts as well as having relationships with established producers.	N/A 1 2 3 4 5
➤ Why is Crown funding being sought rather than commercially-available funding?	The applicant notes that private sector funding is not available for a project such as this in Kaikohe. Crown funding has the ability to help bring together 'place, people and potential' in a cohesive, robust, supported way. While there are risks to the project, it aligns well to the PDU's support for Whenua Māori projects.	N/A 1 2 3 4 5
➤ What does the independent financial analysis/ business case indicate?	N/A	N/A 1 2 3 4 5
➤ Is the funding model requested appropriate? Is the PDU recommending a different model?	A grant is requested by the applicant <span style="background-color: #cccccc;">Commercial Information</span>  While this 'fund holding entity' is a different approach to other projects, a grant is considered appropriate for this project as it still fits with the Whenua Māori guidelines, the project: <ul style="list-style-type: none"> <li>• targets small landowners with limited financial capability to progress into commercial operation.</li> <li>• is on Whenua Māori (i.e. land owned by a Māori individual/group/entity)</li> <li>• has a range of activities including: <ul style="list-style-type: none"> <li>○ small scale cultivation and development</li> <li>○ remedial land work that will lead to a full scale commercial development</li> </ul> </li> </ul> A financial contribution is advantageous but not obligatory. Contribution may be made by land owners to deliver on the project outcomes through provision of labour.	N/A 1 2 3 4 5
➤ Has the applicant provided evidence of market pull for this project?	One risk for the project is the level of market analysis that has been undertaken for the proposed project (as presented in the application). There is an opportunity to explore less common, 'niche' grape varieties in this area. The applicant is working with various	N/A 1 2 3 4 5

	vineyards who have established customer market relationships. Confirmation of support from applicant listed vineyards and their relationship with <sup>Commercial Information</sup> should de-risk some of these concerns.	
➤ Has the applicant provided evidence that their supply chain is secure?	Delivery of a marketing and business development strategy, including market analysis will occur following secured funding.	N/A <b>1</b> 2 3 4 5
<b>Summary of funding and financial analysis:</b>	The PDU require a full set of accounts from the relevant entities.	N/A 1 2 3 4 5

### Funding arrangements

A grant is requested by the applicant; see Section D for further information on this model.

As noted in the 'Application description' section the applicant proposes that the co-operative will appoint a fund holder <sup>Commercial Information</sup> for funding received for this project. Funds will then be released by the fund holder in accordance with a development plan approved by the co-operative.

The PDU recommends that if funding is approved that this be subject to the 'fund holding entity' being confirmed to the satisfaction of the PDU before release of any funds.

The deliverable table needs to be discussed and confirmed with the applicant if funding is approved.

### Proposed Term Sheet Summary (noting full term sheet will be developed post decision)

Is the application a Grant or Loan?

**Grant - Loan Details Table deleted**

### Consultation from partner agencies undertaken or implications

#### MFAT comments:

- \$1.5m Whenua Māori grant for <sup>Commercial Information</sup> vineyard development
- Expansion is only <sup>Commercial Information</sup> % of curr grape production ha so no more than minimally trade- or production-distorting
- <sup>Commercial Information</sup> Free and frank opinions
- The risks, in terms of the potential adverse implications for New Zealand's agricultural export interests as a whole, should be weighed up against well-being benefits to Māori in structurally disadvantaged regions facilitated by the Whenua Māori programme.

**MPI Feedback** <sup>Commercial Information</sup> Free and frank opinions

Free and frank opinions

[Redacted content]

Conflicts of interest and T&Cs	Yes - Comments below
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Due diligence has been undertaken for Omapere Rangihamama Ahuwhenua Trust (ORT). No further action is required but note that one finding was outlined from June 2019.

Privacy of natural persons

[Redacted content]

Due diligence for all entities needs to be completed.

Further information from applicant	Yes - Comments below
<p>Following initial assessment, additional information was sought from the applicant:</p> <ul style="list-style-type: none"> <li>• details for all entities listed – financials, trust deed, governance structure, key personnel (where relevant);</li> <li>• supporting documents i.e. letters of support;</li> <li>• detailed project plan; and</li> <li>• MPI also require further detail, see consultation section.</li> </ul>	
Summary statement of Application Review undertaken	
<p>The following Review has taken place in connection with this application:</p> <p>All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.</p> <p>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.</p> <p>In the development of this form:</p> <ol style="list-style-type: none"> <li>A review by an Investment Director has taken place and included the following to the satisfaction of the reviewer: <ol style="list-style-type: none"> <li>An evaluation against the PGF criteria;</li> <li>Financial analysis;</li> <li>A risk assessment, highlighting any relevant or key risks;</li> <li>Conflicts of interest have been noted and accepted</li> </ol> and the reviewer concurs with the recommendation proposed. </li> <li>The Head of Investment has reviewed this recommendation.</li> <li>This application has been reviewed by the PDU SLT.</li> </ol>	
Review has been completed	Yes

<b>Supporting proposal:</b>	Yes
<b>Appendices:</b>	Yes – Application, Annex One <span style="color: red;">Annex withheld - Commercial Information</span>
<b>Author of paper:</b>	HW, Senior Investment Analyst, PDU Investment Team PS, Investment Director, PDU Investment Team