

Transitioning to Horticultural opportunities through off-stream water storage

Project overview

Name of the project	Transitioning to Horticultural opportunities through off-stream water storage
Region	Northland
Tier and type	3 – Infrastructure (Water storage/management)
Applicant	Te Waka Pupuri Pūtea Trust
Estimated total project cost	\$ <small>Commercial Information</small>
Amount of funding sought from the PGF	\$3.0 million
Financial instrument requested	<small>Commercial Info</small>
PDU recommendation	Approve \$3.0 million <small>Commercial Information</small>

1. Te Waka Pupuri Pūtea Trust is a charitable trust and the asset holding arm of Te Rūnanga o Te Rarawa. The trust is seeking PGF funding to support the development of small-scale off-stream water storage on Māori-owned land near Kaitāia.
2. Low-cost water storage will be developed using the natural land formation and will allow for the storage of up to Commercial Information cubic metres of water, sourced from the Awanui river during the wet season. Water will be supplied to the water storage primarily by utilising existing infrastructure, but additional pumps will be added to increase the pumping capacity. Additional water lines will also be required off the existing water line infrastructure.
3. The project will enable about Commercial Information of dairy support land to be transitioned to horticulture. This transition of Māori-owned land will create the opportunity for higher-value, sustainable land use, provide employment opportunities, and supply neighbouring properties including smaller, non-utilised Māori-owned land blocks with a means of also transitioning their land towards greater and better land use.
4. A water take resource consent is in place to take water that is sufficient for the project to proceed. Once funding is confirmed, it is anticipated that the project will be completed by Commercial Information.
5. The PGF is currently supporting the pre-construction phase of this project through a \$ Commercial Information grant. This phase of the project is currently underway and is progressing well.

PDU recommendation

6. The PDU recommends that you approve Commercial Information up to \$3,000,000 from the PGF to Te Waka Pupuri Pūtea Trust towards the construction phase of their water storage project, subject to:

- a. The applicant making the infrastructure available, as appropriate, to other nearby land owners as part of the funding agreement;
 - b. PDU approval of contractors;
 - c. Completion of a construction-ready milestone before release of material amounts of funding;
 - d. Commercial due diligence being completed;
 - e. The project continuing to align with the PGF investment principles for water storage; and
 - f. Proof of funds for co-funding.
7. This project strongly aligns with the PGF investment principles for water storage, specifically strengthening regional economies by shifting land use to higher value, non-dairy, sustainable uses and helping to address disparities in Māori access to water for land development.
8. [Redacted] Commercial Information [Redacted] the PDU recommends PGF funding [Redacted] [Redacted], aligning with those used for other PGF-funded water storage projects.

Costs and funding

9. The applicant has \$ [Redacted] Commercial Information committed towards the water storage development and has also previously funded existing water infrastructure that will be utilised for this development. PGF funding is sought as the applicant does not currently have sufficient capital to allocate to this project. [Redacted] Commercial Information [Redacted]
10. [Redacted] Commercial Information [Redacted]
11. *Project costs*

Activity	Cost (\$)
Excavate the site and install HDPE liner over the excavation	[Redacted] Commercial Information
Install additional booster pumps and 375 mm PVS water line	[Redacted] Commercial Information
Electricity upgrade	[Redacted] Commercial Information
Capital costs associated with the installation of additional water line to the current dairy support land	[Redacted] Commercial Information
Complete purchase of pump shed and land	[Redacted] Commercial Information
Total	[Redacted] Commercial Information

PDU assessment of the project

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

Criteria	Rating (1✓ to 5✓)	Comment
<i>Link with fund and government outcomes</i>		
Creates permanent jobs	✓✓✓✓	<p>The applicant has not yet decided what sort of horticulture to develop following the completion of the project. Furthermore, some of the plantings will change over time.</p> <p>Commercial Information is a viable use of this land. A typical Commercial Information hectare of Commercial Information in this area would be expected create Commercial Information FTEs, plus seasonal workers. This compares to a typical Commercial Information hectare dairy support block that might employ Commercial Information FTE.</p> <p style="text-align: center;">Commercial Information</p> <p>There would also be increased jobs and economic activity downstream.</p>
Delivers benefit to the community	✓✓✓	<p>Community will benefit through environmental improvements (reduction in dairy support activity), as well the benefits of increased jobs.</p> <p>The intention is for the infrastructure to be made available, as appropriate and where capacity allows, to other land owners.</p>
Increased utilisation and returns of Māori asset base	✓✓✓✓✓	The land proposed for conversion is Treaty settlement land. This project will significantly increase returns on that land.
Enhanced sustainability of natural assets	✓✓✓✓✓	Through enabling the transition from dairy to horticulture, the project will enhance sustainability of water.
Mitigation of climate change	✓✓✓	<p>Climate change impacts the reliability and availability of water. This project will deliver reliable water, mitigating an effect of climate change.</p> <p>Project will result in the transition of land from dairy support to lower emission horticulture.</p>
<i>Additionality</i>		
Adding value by building	✓✓✓✓✓	<p>The project will leverage:</p> <ul style="list-style-type: none"> Existing under-developed land;

Criteria	Rating (1✓ to 5✓)	Comment
on what is already there		<ul style="list-style-type: none"> • The existing Commercial Information horticulture business owned by the applicant; and • Existing water infrastructure.
Acts as a catalyst for productivity potential in the region	✓✓✓	The project will facilitate significant improvement in the productivity of land in the immediate vicinity of the water infrastructure. This is a small-scale local project, not a region-wide project.
<i>Connected to regional stakeholders and framework</i>		
Alignment with regional priorities	✓✓✓✓	Water and water management is a key aspect of the Tai Tokerau Northland Economic Action Plan.
Support from local governance groups	✓✓✓✓	<p>Applicant is the asset holding arm of the local iwi, Te Rūnanga o Te Rarawa. Te Rarawa Trustees, who represent C marae, and hapū associated with those marae are supportive of the project. There are several Te Rarawa marae in close proximity to the proposed project.</p> <p>The PDU is currently confirming council / other group support.</p>
<i>Governance, risk management and project execution</i>		
Robust project management and governance systems	✓✓✓	<p>The applicant has run a number of projects and operates a number of businesses, so basic management and governance is in place. They have successfully delivered small-scale water infrastructure before. However, they will need significant support for this project. The proposed project manager / advisor, Commercial Information is well placed to do this (Commercial Information).</p> <p>Appropriate project management and governance systems will be established.</p>
Project delivery and management	✓✓✓	Refer to the robust project management and governance systems section above. A contractor (or contractors) will be procured to deliver the physical works. PDU's rights to conduct due diligence checks on the contractors and construction contract (especially risk allocation) will be a condition of funding.
Future	✓✓✓✓✓	The applicant intends to develop, construct and own the asset long term.

Criteria	Rating (1✓ to 5✓)	Comment
ownership / operational management		

Agency comments

Ministry of Foreign Affairs and Trade

13. MFAT has no material concerns with this project. Commercial Information
[REDACTED]. But it is for infrastructural services (which can be classified as non production-distorting Green Box support) and has a domestic sales focus (thus unlikely to be considered an export subsidy). This means it presents no major risks.

Ministry for Primary Industries

14. MPI has been consulted on the application and notes it will help raise the productivity of Māori-owned land and create additional employment. MPI supports this project in principle, subject to comfort on several points. The PDU is currently working through this with MPI and is comfortable that these matters (along with other matters identified by the PDU) can be addressed through due diligence, or conditions precedent.

Te Puni Kōkiri

15. TPK supports the recommendation to approve the application. The project strongly aligns with the PGF investment principles for water storage, specifically strengthening regional economies by shifting land use to higher value, non-dairy, sustainable uses and helping to address disparities in Māori access to water for land development.

Risk assessment

16. Due diligence has been undertaken with no findings of note.

17. The PDU has identified the following key risks and mitigations:

Type of risk	Risk description	Mitigations	Risk Rating L/M/H
Project	Is the project feasible? Can it be delivered on time, on budget and to specification? Key risk is expected to be completing the project on budget (cost to complete risk).	Assessment of project economics and technical work to date indicate the project is feasible. The cost to complete risk will be mitigated by appropriate risk allocation in the construction contracts, appropriate commercial protections in the construction contracts, and usual contractor due diligence.	M- unmitigated L- mitigated
Operational	Will the project or asset operate to specification, to budget, and achieve the forecast revenue?	Relatively lower area risk for a project such as this. Commercial Information	L

		Commercial Information	
Force majeure/insurance	Have insurable risks been considered? Is the level of insurance adequate?	Appropriate insurance will be required, as well as appropriate contractor side insurances (plant, etc).	L
Macroeconomic	Has the impact of possible external economic changes been considered?	<p>Post construction the project will be exposed to horticulture commodity prices. This is a systemic risk that is the nature of entering into this industry.</p> <p>Macroeconomic factors in respect of construction risk should be minimal – there should be limited currency exposure all plant and materials should be New Zealand-sourced. Given the short construction period, inflation and interest rate movements shouldn't impact materially.</p> <p>Commercial Information</p>	M