

Esk

Kelvin

Tay

YOUR MONEY FOR CITY BLOCK?

Dee

City Centre Block Quick Guide

May 2019

YOUR MONEY FOR CITY BLOCK?

INVESTING IN THE CITY BLOCK DEVELOPMENT

Invercargill City Council proposes to invest in a project designed to stimulate renewal of the city's CBD. It is an initiative that will shape the future of Invercargill, and consequently the investment is a significant financial commitment. While Council's proposal is to invest in this development, its further involvement is not confirmed and its decision to proceed will be influenced by what the community has to say. That's why it's important that you tell us what you think about this investment – it is **YOUR** city.

Council will consider feedback from the community – and from stakeholders and interested parties – before making its decision on the investment proposal. You need to have your feedback with us by **5pm, Friday 28 June 2019**. See details at the end of this flier.

Please note, there are still a few unknowns for the investment proposal. If any significant information comes to light after this consultation begins, we will endeavor to bring it to the community before decisions are made. Keep an eye on Council's website where we will update information: www.icc.govt.nz/cityblockconsultation

WHY DOES THE CBD NEED RENEWAL?

One of the biggest issues facing our community is commercial sector confidence in accelerating investment in Southland. If Invercargill is to be a modern city with a future, it needs to maintain healthy levels of population and economic growth. More investment is required for that to happen.

Currently, the CBD lacks the vitality needed to attract people and investment that not only enhances the livability of Invercargill today but provides sureness for the future.

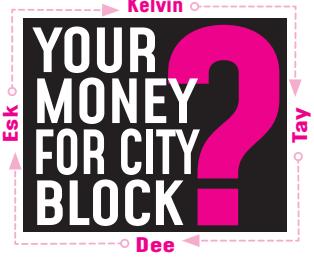
This was identified in the Southland Regional Development Strategy, which noted the importance of making the Invercargill CBD a more vibrant hub as one of the keys to retaining people in the region and to achieve the goal of 10,000 more people living in Southland by 2025.

WHAT IS THE DEVELOPMENT PROJECT?

The City Block Development project proposes to redevelop an inner-city block, specifically, the block of buildings between Esk and Tay Streets, bordered by Dee and Kelvin Streets. The Council and other potential partners recognise that this is the right block for an urban rejuvenation project. It is central to the heart of the CBD.

The proposed \$180 million development would result in the demolition of most of the block. The developer plans to retain façades of some of the heritage buildings while developing the site to include a range of retail outlets; food and beverage precincts; covered laneways connecting the food and retail precincts to office and services facilities, including a child-care centre; an outdoor courtyard; and a multi-level, covered carpark.

A resource consent application has been lodged for the development.



WHO OWNS THE LAND?

HWCP Ltd owns the land. HWCP Ltd is a joint venture between Invercargill City Property Limited (a council-owned investment enterprise) and HWR Property Limited (part of transport company H.W. Richardson Group Limited).

WHO IS THE DEVELOPER?

A new entity would be formed to undertake the development work. The form of this entity would be based on the most appropriate vehicle for public / private investment that meets the requirements of all shareholders. The shareholders would determine the governance and management structure of the new entity. It is not yet known what percentage of ownership or shareholding Council would have in this new entity.

WHAT IS COUNCIL'S PROPOSED INVOLVEMENT?

Council has been asked to invest \$20 million in the City Block Development project. However, it is consulting on a proposal to invest up to \$30 million over the next five years. With a build of this size, Council recognises that things can change. Therefore, it has proposed that a contingency of up to \$10 million for risk around the budget and any cost associated with potential integration with the rest of the City, is included in our consultation on the potential investment. Council sees its investment as providing a catalyst for urban regeneration, so its motive for investing is for the social and economic wellbeing of the community, rather than direct financial return.

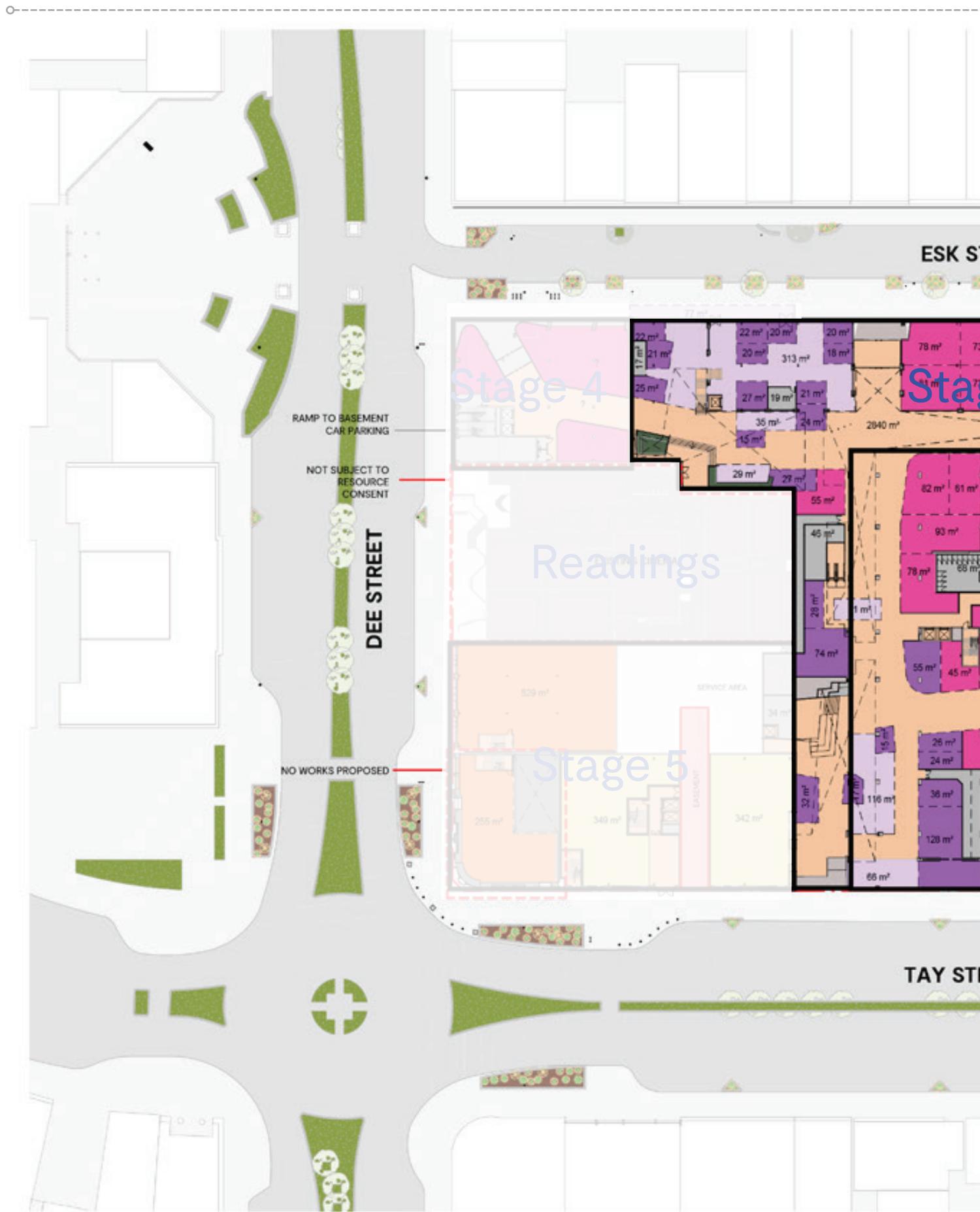
Over and above any investment, work will be required if the development goes ahead, regardless of whether Council invests. Council would be responsible for associated infrastructure and revitilisation works in the surrounding area. The total cost of this work is unknown but is anticipated to be approximately \$20 million. This is not included in this consultation. Council has already undertaken substantial work on the investment that would be needed to revitalise the inner-city area. Some of this has been budgeted through prior and the current Long-term Plan budgets.

HOW WOULD COUNCIL'S PROPOSED INVESTMENT BE FUNDED?

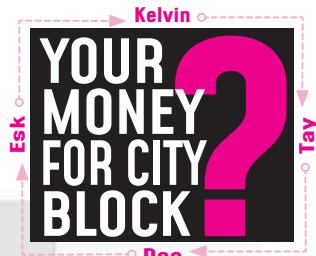
The investment would be loan funded. Every \$10 million of loan funding costs Council \$300,000 in servicing costs each year. For \$20 million, this will cost \$600,000 per annum. Under Council's current policies this investment would result in a 1.2% rates increase for the average ratepayer.

YOUR MONEY FOR CITY BLOCK?

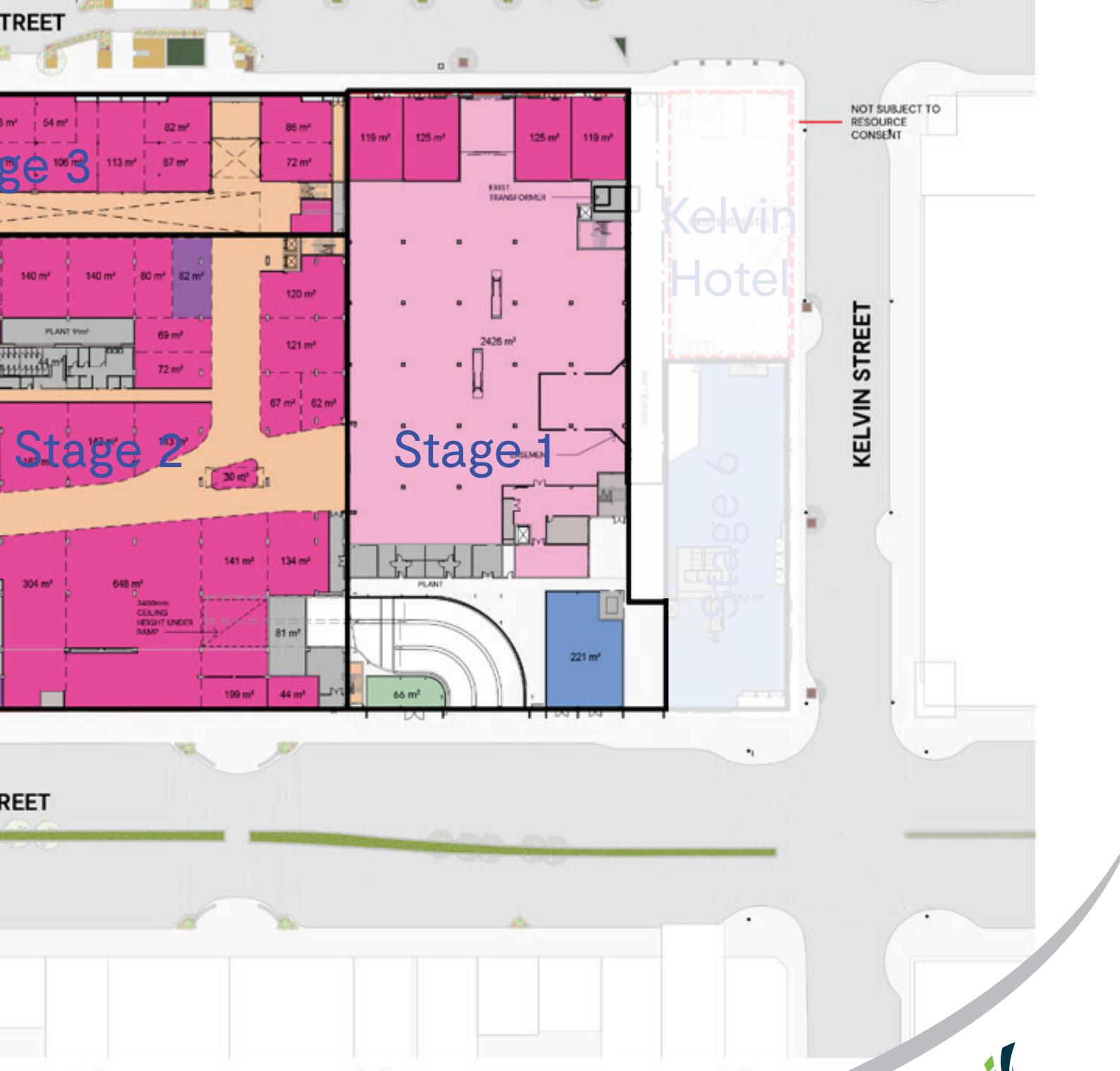
INVERCARGILL CITY COU



NCIL'S AREAS OF INVESTMENT FOR THE CITY BLOCK DEVELOPMENT



- + There are six proposed stages to the overall redevelopment of the City Block (this excludes the existing Kelvin Hotel and Reading Cinemas). The three stages that Council has been asked to invest in are Stages 1, 2 and 3. These stages are highlighted on this plan.



YOUR MONEY FOR CITY BLOCK?

INVESTING IN THE CITY BLOCK DEVELOPMENT

WHY WOULD COUNCIL INVEST IN THIS COMMERCIAL DEVELOPMENT?

Council recognises that its investment would have a significant influence on the success of the development. The financial return on investment for this project is unlikely to attract sufficient interest from private investors alone. While Council would not expect to make a commercial return on its investment in the short to medium term, neither would it anticipate making a loss.

However, there are broader benefits to Invercargill - and Southland - to be realised through developing a vibrant and dynamic city centre. For Council, investing in such a CBD regeneration project is consistent with supportive action that delivers on a number of Council's community outcomes, including:

- + An economy that continues to grow and diversify
- + Business areas that are bustling with people, activities and culture
- + Residents of, as well as visitors to, Invercargill give positive feedback and have great experiences

Council already has a vested financial interest in the land. Council through Invercargill City Holdings Limited, previously invested \$5.45 million in HWCP Ltd so that all the land could be acquired for future development purposes. During 2018, the focus of HWCP's activity shifted from land banking to development. When the proposal for further investment was put to Council, Council determined that, because the nature of the investment had changed, it would not invest any further without public consultation.

WHAT OPTIONS HAVE BEEN CONSIDERED?

Council is considering two options around this proposal:

- 1 - Invest up to \$30 million in the City Block development.
- 2 - Do not invest in the City Block development.

A more detailed examination of the options is available in the Statement of Proposal on our website www.icc.govt.nz/cityblockconsultation

WHAT HAPPENS IF COUNCIL DOESN'T INVEST?

Without Council's investment, the project would be unlikely to proceed. Council's investment in this development would provide a level of confidence to other investors in the project.

Should the project not go ahead, Council would be left owning 50% of a site and buildings that are untenanted and, in some cases, not tenable. This would have a financial impact on the Council. Considerations on how this risk would be addressed would depend on the cause of the project failure. You can read more about the risks in the full Statement of Proposal on our website: www.icc.govt.nz/cityblockconsultation

WHO ARE THE OTHER INVESTORS?

A range of parties have been requested to invest in the new entity. At this stage, Council can confirm that two private investors have committed to investing \$20 million each in the new entity.



WHAT ELSE DO I NEED TO KNOW?

1. Council engaged independent commissioners to hear and determine the resource consent application required for the development. A decision on the application is anticipated in early June 2019.
2. Further development of the city block which would overlook and connect to the development would be separately funded. Council has not been asked to invest in these areas. They include:
 - + Medical centre
 - + HWR head office and apartments
 - + Commercial offices
 - + Proposed hotel

These developments will only proceed if the City Block Development goes ahead.

HOW DO I HAVE MY SAY?

For us to consider your feedback on this proposal we need to hear from you by
5pm, Friday 28 June 2019.

You can provide feedback by picking up a submission form or writing to:

Submission - City Block Investment
Invercargill City Council
Private Bag 90104
Invercargill 9840

Or you can email us: policy@icc.govt.nz

Or you can fill out a submission form online at: www.icc.govt.nz/cityblockconsultation

CAN I HAVE MY SAY IN PERSON?

If you would like to speak to the Mayor and Councillors about the proposal, you can take up the opportunity to do so during the week of 15 July 2019. Please indicate in your feedback if you would like this opportunity.

HOW DO I FIND OUT MORE?

You can find the full proposal and other relevant documents on the Invercargill City Council's website www.icc.govt.nz/cityblockconsultation.

You can also contact the consultation team by phoning 03 211 1777.

