



City Centre Block Consultation Document

[Statement of Proposal]

May 2019

CONSULTATION CLOSES – 28 JUNE 2019

This Consultation Document (Statement of Proposal) summarises the key decision and options for Council regarding investment in the City Block Development project.

You can find supporting information for this consultation document on Council's website:

www.icc.govt.nz/cityblockconsultation

You can also phone us on 03 211 1777, or visit the Civic Administration Building, Bluff Service Centre or Invercargill Public Library.

Let us know if you support or oppose our proposal to invest. Your feedback will help Council make important decisions on investing in our city centre for the social and economic wellbeing of the community.

Section 3 of this document explains how you can make a submission and where to find the dates and locations that Council's Consultation Caravan or Consultation Team will be out in the community.

Community consultation closes on 28 June. Council's decisions on investing in the City Block Development project will likely be made in August 2019 and will be available on Council's website following this date.

INTRODUCTION

SECTION ONE



INTRODUCTION

The purpose of this Consultation Document (Statement of Proposal) is to enable public participation in the City Block Development investment decision-making process. While Council's proposal is to invest in this development project, its further involvement is not confirmed and its decision to proceed will be influenced by what the community has to say.

WHAT ARE WE CONSULTING ON?

This consultation document relates to the decision that Council must make on the proposed investment in the City Block Development. It also considers how Council would fund the investment.

Council has been asked to invest \$20 million in the 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 has received advice there may be design changes which would encourage people to explore the wider CBD and ensure the development is outward looking. The proposed \$10 million contingency is effectively a \$5 million contingency for budget over-run and a \$5 million contingency for any enhancements that Council may seek as a result of advice and/or submissions through this process.

The City Block Development is located between Esk and Tay Streets, bordered by Dee Street and Kelvin Street.

This is an urban regeneration project, it's about increased community wellbeing and growth, rather than financial return. Without Council investment, this development is unlikely to proceed as the returns are too low to attract enough private investment.

We want to hear your views on whether Council should invest in the City Block Development.

WHAT HAS HAPPENED SO FAR?

In 2017 and 2018 Council, through Invercargill City Holdings Limited, invested \$5.45 million as a funder and shareholder in HWCP Ltd. Originally, the intention was for HWCP Ltd to acquire all land necessary for a future development in the Tay/Dee/Esk/Kelvin Streets block. This investment was consistent with Council's history of investing in land or 'land banking' to onsell as a way of encouraging development in the Invercargill City area.

During 2018, HWCP Ltd shifted its focus from a land bank to a developer of the block. 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 consultation with the community.

In 2018, the Government's Provincial Growth Fund provided funding for feasibility studies and the business case to be further developed. The business case is available on Council's website: www.icc.govt.nz/cityblockconsultation

In October 2018, Council received an application for resource consent for the development from HWCP Ltd. 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. As such, environmental impacts and other resource consent matters are out of scope for this consultation process and document. The application for resource consent and supporting information is available on Council's website www.icc.govt.nz/hwcp-inner-city-block-development/



WHERE CAN YOU GET MORE INFORMATION?

A list of supporting documents is included on page 12. They include:

- + Quick Facts (a summary of the information provided)
- + Business Case
- + Other related reports

You can view or download this supporting information from Council's website www.icc.govt.nz/cityblockconsultation or view copies by request at the Civic Administration Building Help Desk, the Bluff Service Centre or the Invercargill Public Library. Alternatively, contact us on policy@icc.govt.nz or by phone 03 211 1777.

HOW CAN YOU MAKE A SUBMISSION?

You can make a submission electronically or in hard copy. When making your submission you can also indicate you would like to attend a Council hearing and present your views on the proposal to the Mayor and Councillors. More details are on page 12.

WHAT HAPPENS NEXT?

Submissions must be received by 5pm, Friday 28 June 2019

Council will consider your submission. If you wish to speak in support of your submission, you can have the opportunity to do so at a hearing scheduled for the week of 15 July 2019. Decisions on investing in the City Block Development project will likely be made in August 2019.



WHY IS THE CBD IMPORTANT?



Almost all towns and cities have one main centre. City centres are frequently recognised as providers of social and functional amenity and enablers of community wellbeing¹.

Council has recently developed a revised District Plan. As part of that process, Council adopted policies for the Business 1 CBD Zone. One of the policies is:

To establish and implement a Business 1 Zone to retain existing and encourage new commercial / retail activities in the CBD².

Maintaining and reinforcing the viability and vibrancy of Invercargill's CBD is of widespread concern to the Invercargill people and is a key priority for Council. This is the basis for the inclusion of this policy in the District Plan³.

That the CBD has lost its spark is well acknowledged within the Invercargill community. A strong CBD provides advantages for business such as co-location, economies of scale and clustering that attracts more customers and suppliers. These benefits are a key driver in urban growth. The community also derives benefit from a strong CBD, including less tangible benefits such as opportunities for social interaction, a sense of place and community belonging⁵.

Council has considered its investment in the City Block Development in terms of both the economic and the social wellbeing of our community.

The Southland Regional Development Strategy highlighted that creating great places in urban Southland was key to achieving the Region's goal of attracting 10,000 more people to live in Southland by 2025. The Strategy notes that it is especially important to create the Invercargill CBD as a great place to be, at least on a par with other regional centres. It further notes that creation of a regional social focal point in Invercargill, which could

comprise a mall, will help build stronger lifestyle values that makes an area more attractive to residents and visitors, and creates a human buzz that keeps people⁶.

For Council, this development is an urban regeneration project which is about increased community wellbeing and growth.

WHAT ARE THE BENEFITS OF THIS DEVELOPMENT?

Council is proposing investing in the City Block Development for strategic reasons, rather than solely commercial reasons. It proposes to invest in the development for the social and economic wellbeing of the community, rather than commercial returns that may be realised. Some of the community wellbeing benefits identified from the success of this development include:

Economic and Social Wellbeing

- + Action as a catalyst for accelerating investment in Southland
- + Provision of \$180 million direct investment for the total project
- + Increase in Southland's GDP
- + Creation of jobs
- + Creation of a more liveable city
- + Activation of the city socially, with the provision of a public place and spaces to connect
- + Addressing of the seismic health and safety risk of some buildings
- + Creation of a more vibrant marketplace and diverse offerings
- + Provision of more opportunities for residents

Without Council investment, the City Block Development is unlikely to proceed as the returns are too low to attract enough private investment.

¹ Market Economics Limited, Proposed District Plan Economic Assessment, p19

² Proposed Invercargill City District Plan Appeals Version - January 2017, Section Two, p2-82

³ Ibid

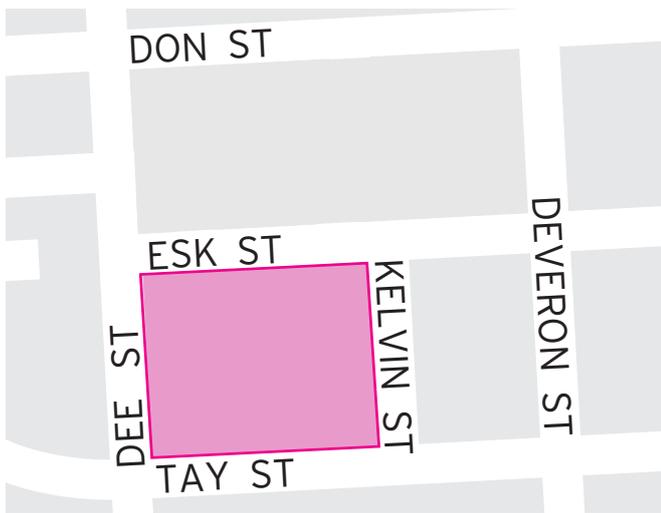
⁴ Market Economics Limited, p20

⁵ Ibid

⁶ Southland Regional Development Strategy, October 2015, p21-22

FACTS ABOUT THE DEVELOPMENT

The City Block Development proposes to incorporate the land and buildings between Esk and Tay Streets, bordered by Dee Street and Kelvin Street.



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 plan at the back of this document shows the areas within the City Block in which Council would be investing.

The \$180 million redevelopment would include:

- + Retail shops, ranging from a large anchor retailer to small boutique stores
- + Three distinct food and beverage precincts
- + Covered laneways that connect the food and retail precincts to offices and a medical centre
- + An outdoor courtyard providing space for people to enjoy time outside
- + A multi-level, covered carpark providing more than 850 parks
- + A childcare facility on the second level

The development would open in three stages - December 2021 with the anchor tenant trading; mid 2022; and the final stage completed December 2022.

A new entity would be formed to undertake the redevelopment of the land owned in the block. 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. It is not yet known what percentage of ownership or shareholding the Council would have in this new entity.

RESOURCE CONSENT

The Council received an application from HWCP Management Limited for the development. The first element of the application is for the demolition of a number of buildings, including some heritage listed buildings. The second element is the multi-faceted redevelopment of the site. Submissions closed in November 2018 and the hearing began in March 2019. The Council engaged independent commissioners to hear and determine the resource consent application. A decision on the application is anticipated in early June 2019. As such, environmental impacts and other resource consent matters are out of scope for this consultation process and document.

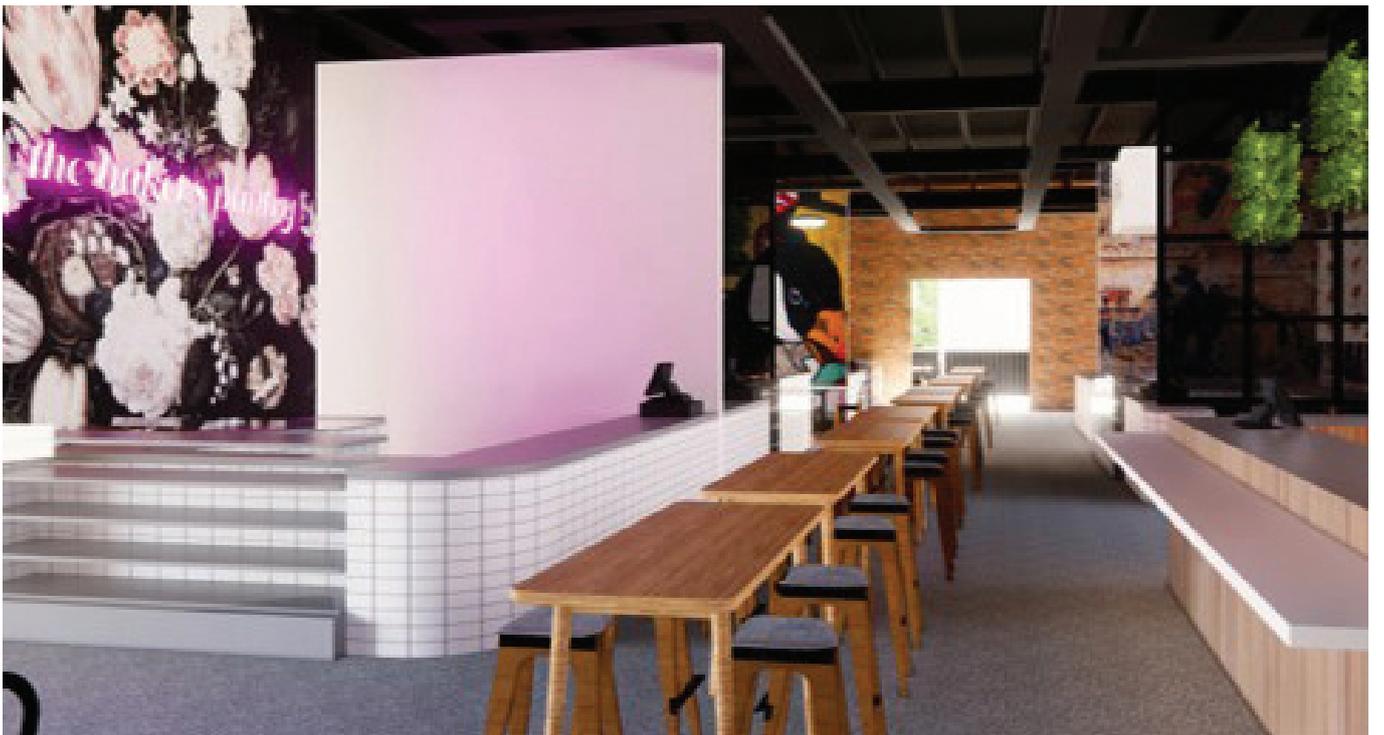
FUNDING THE DEVELOPMENT

The cost estimate for the development is \$180 million. It is anticipated that there will be a number of potential investors in the development. Each of these investors may become a shareholder in the new entity established to facilitate the redevelopment of the land.

COUNCIL'S FINANCIAL CONTRIBUTION TO DATE

In 2017 and 2018 Council, through Invercargill City Holdings Limited, invested \$5.45 million as a funder and shareholder in HWCP Ltd. HWCP Ltd is a joint venture between Invercargill City Property Limited and HWR Property Limited. HWR is a part of H.W. Richardson Group Limited, while Invercargill City Property Limited is part of the council-owned Invercargill City Holdings Ltd investment enterprise. H.W. Richardson Group is a privately-owned New Zealand transport company.





PROPOSAL

SECTION TWO



The decision before Council is whether or not to invest in the City Block Development.

After weighing the opportunities and risks, and the costs and benefits of investing in the City Block Development, Council's proposed option is to invest up to \$30 million in the project.

THE PROPOSAL

Council has been asked to invest \$20 million in the 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 proposed investment. \$20 million would be invested in the new entity, the further \$10 million would remain with Council unless Council considered it was needed. Council has received advice there may be design changes which would encourage people to explore the wider CBD and ensure the development is outward looking. The proposed \$10 million contingency is effectively a \$5 million contingency for budget over-run and a \$5 million contingency for any enhancements that Council may seek as a result of advice and/or submissions through this process. 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.

The primary sum of the investment - the \$20 million that Council has been asked to invest in the new entity - would be used to fund the development of a defined section of the overall City Block project. The areas Council's investment would fund are:

- + Retail shops, ranging from a large anchor retailer to small boutique stores
- + Three distinct food and hospitality precincts combining a diverse range of cuisines and businesses for different occasions

- + Covered laneways that connect the food and retail precincts to offices and a medical centre
- + An outdoor courtyard for working professionals and families, providing a space for people to enjoy time outside
- + A childcare facility on the second level
- + A multi-level, covered carpark providing over 850 parks.

Further development of the block, which would overlook and connect to the area in which Council proposes to invest, would all be separately funded. These developments would only proceed should the City Block Development go ahead. They include:

- + Medical Centre
- + HWR head office and apartments
- + Commercial offices
- + Proposed hotel.

Council has not been asked to invest in these developments.

the plan included at the end of this document shows the section of the block in which Council proposes to invest and its linkages to the wider City Block Development.

ASSESSMENT OF OPPORTUNITIES AND RISKS

The City Block Development, including Council's proposed investment, presents a number of opportunities and risks for the wider Invercargill community. The table on the next page outlines some of the opportunities and risks identified:

OPPORTUNITIES	RISKS
Direct investment in the city of \$180 million.	Significant disruption to the CBD during the build.
Catalyst for five further projects in the Block totalling \$118 million.	Building could be delayed or incomplete.
Increase Southland's GDP by \$475 million in 2019 - 2035.	Significant impact on the balance of the city's retail area, through shoppers parking within the City Block building and then not leaving the complex.
Generate jobs (500+ to build City Block over 3 - 4 years; 300 permanent retail and hospitality jobs).	Does not stimulate further development, exacerbating existing issues.
Completion of an anchor project in achieving the Southland Regional Development Strategy's target of 10,000 more people.	Cost to ratepayers, including the risk that Council may be required to satisfy any cost overruns or risk an incomplete development.
Contribute to achieving the \$1 billion visitor spend target for tourism in Southland.	Additional 850+ carparks saturates the paying market resulting in significant carparking revenue loss for Council.
Creates a more liveable city, providing a public place and spaces for people to connect.	Risks involved in a public / private partnership.
Addresses the seismic health and safety risk of some buildings.	The City Block Development is not "core" Council business.
	Other Council projects will be delayed because of the investment.

ASSESSMENT OF OPTIONS

OPTIONS	ADVANTAGES	DISADVANTAGES
<i>Proposed Option</i>		
Invest up to \$30 million in the City Block Development. \$20 million investment in new entity, \$10 million to remain with Council as a contingency.	Provide a level of confidence to other investors in the project and to investors in the city.	Council does not expect that the investment will make a commercial return in the short to medium term.
	Investment will result in Council having representation on the entity tasked with undertaking the development.	Other Council projects would need to be deferred.
		Annual servicing costs of approximately \$600,000 each year for the loan period based on \$20 million investment, and up to \$900,000 each year based on the proposed up to \$30 million investment.



OPTIONS	ADVANTAGES	DISADVANTAGES
Alternative Option		
Do not invest in the City Block Development	No further ratepayer funding is committed to the City Block.	Project would likely not progress. Council left owning 50% of the site and buildings that will return little or no income.
	No change to Council's planned capital works or projects detailed in the 2018 - 2028 Long-term Plan.	Risk that the decline of the Invercargill central business district would accelerate.
		Unlikely that any other similar development would happen in Invercargill. Alternative uses of the site may not have the same transformational impact that is hoped to be achieved from this development.

INVESTMENT'S EFFECT ON RATES

If Council's preferred option is adopted, the investment would be loan funded, with the cost of borrowing met through rates.

For every \$10 million of loan, Council would have to pay approximately \$300,000 in servicing costs each year. For an investment of \$20 million in the City Block Development, \$600,000 would be required each year. Under Council's current policies this investment would result in a 1.2% rates increase for the average ratepayer. For example, if you currently pay \$2,000 annually in your rates, your rates contribution to the investment, in say, the first year, would be \$24.00. At this stage of the project, these figures are indicative only.

OTHER COUNCIL RESPONSIBILITIES

Additionally, work will be required if the development goes ahead, regardless of whether Council invests. Council would be responsible for associated works to integrate the development with the surrounding area.

The total cost of this work is unknown but is anticipated to be approximately \$20 million. This is an additional expense to the proposed \$30 million.

To demonstrate the sort of work anticipated by this additional investment, it is appropriate to refer to the report from Pocock Design Environment that outlined eleven major projects for the inner-City area that would create reasons for the community to re-engage with the CBD. The upgrade and inclusion of "pocket parks" on Esk Street was the most visible of these projects so far. Just over \$6.3 million has been included in the 2018-28 Long-term Plan for work to progress these projects. This means that an additional \$14 million is the amount required.

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.

HAVING YOUR SAY

SECTION THREE

You are invited to make a submission on this Consultation Document (Statement of Proposal). Tell us what you think of Council's proposal to invest in the City Block Development. Use our online form or print a submission form, write a letter, or email us at policy@icc.govt.nz

Please note that submissions, including names and contact details, will be included in papers which are available to the public through Council's website.

We need to receive your submission by 5pm, Friday 28 June 2019. You can:

Deliver to: Civic Administration Building
101 Esk Street
Invercargill

OR: Bluff Service Centre
16 Gore Street
Bluff

Email: policy@icc.govt.nz

Post to: Submission - City Block
Invercargill City Council
Private Bag 90104
INVERCARGILL 9840

Tips for making an effective submission

- + Head each of your topics with a title so we clearly know what issue you are submitting on. Make it clear what you are supporting or opposing and give reasons why
- + Bullet points help you form ideas clearly and are easy for the Mayor and Councillors to read
- + If you are handwriting your submission, dark coloured pens make it easier to read and copy your submission

Hearing Dates and Times

If you wish to speak in support of your submission, you can participate in the Council hearing scheduled for the week of **15 July 2019**. Please indicate in your submission if time in the morning or afternoon is more suitable. Every effort will be made to meet particular time requests, but in some cases this may not be possible.

Council will provide notice of the date and time of the hearing to those who request to be heard. Each submitter who requests to be heard is allocated a ten-minute time slot, five minutes to present and a further five minutes for the Mayor and Councillors to ask questions for clarification.

The hearing of submissions takes place in a public meeting. If you do not wish to present your submission, you are still welcome to come along to the meeting and listen to others.

Consultation Drop-in times

Council intends to hold a public meeting, but also to have Council's Consultation Caravan and Consultation Team out in the community. The dates and times will be added to our website and also to our Facebook page - so keep an eye out.

Where can I find more information?

Please go to Council's website www.icc.govt.nz/cityblockconsultation to view any of the following reports:

- + Summary of the Consultation Document (Quick Guide)
- + Business Case prepared for the City Block Development
- + Reports to Council regarding the potential investment
- + Invercargill Inner City Revitalisation Master Plan Report 2013
- + Resource consent application and supporting documents
- + District Plan and supporting reports



FREQUENTLY ASKED QUESTIONS

SECTION FOUR

Why is the CBD important and why does it need renewal?

One of the biggest issues facing our community is the commercial sector having confidence to accelerate 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 crucial to attracting the people and investment that not only enhances the livability of Invercargill today but provides sureness for the future. We want a CBD that is attractive and works for residents, Southlanders and visitors.

Why did Council invest in the land in the first place?

Council invested to help with the efficient consolidation of the majority of the property in the City Block and was already an existing land owner in the area. Council has a history of investing in land, or land banking, to encourage development. Council does not consider investing in commercial developments to be part of its core role. This is why your feedback on this type of investment is so important.

Why should Council invest?

Council recognises that its participation is 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.

Council does not expect to make a commercial return on its investment in the short to medium term, but neither does 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

How much is Council proposing to invest – is it \$20 million or \$30 million?

\$20 million is the amount that Council has been requested to invest in the project. But in recognising the nature of large development projects, Council is proposing to allow a contingency for risk around the budget and any costs associated with potential integration with the rest of the City. Council has received advice there may be design changes which would encourage people to explore the wider CBD and ensure the development is outward looking. The proposed \$10 million contingency is effectively a \$5 million contingency for budget over-run and a \$5 million contingency for any enhancements that Council may seek as a result of advice and/or submissions through this process. That is why Council is proposing that the investment be 'up to' \$30 million.

What happens if Council doesn't invest?

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

Should the development not go ahead, there is a risk that the decline of the Invercargill CBD would accelerate. It is unlikely that a development of a similar nature would be undertaken, and alternative uses of the site may not have the same potential for transformational impact that is hoped to be achieved from this development.

Further, Council, through its shareholding in HWCP Ltd, would be left owning 50% of a site and buildings that are untenanted and, in some cases, not tenatable. Council would be required to undertake the maintenance and ongoing costs of owning this property. This would have a financial impact on the Council, an impact that would need to be addressed without the benefits of the social and economic boosts that the development would generate, both during and after its construction.

This is likely to be a short term issue, but we can't predict what would happen in the longer term.



What would it cost to build this development?

Council has been requested to invest in a new entity that will complete stages 1, 2 and 3 of the development. The estimated cost of these stages is \$180 million.

Stages 4, 5 and 6 would be undertaken by other entities. It is estimated that these developments would cost a further \$100 million.

The plan at the back of this document outlines the stages and shows which stages Council investment would be used for.

Who are the other partners Council is working with?

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.

Who would be responsible for the ongoing costs of managing the City Block Development?

A new entity that meets the needs of all shareholders would be formed. This new entity would own and operate the asset. As an investor and shareholder in the development, Council would be entitled to representation on the new entity.

Why wasn't this considered in Council's Long-term Plan?

The development involves commercially sensitive negotiations. At the time of developing the Long-term Plan, those negotiations were not at the place where Council had sufficient information to be able to include the City Block Development as a major project. This is why Council is now undertaking separate consultation with the community on this proposal.

What impact would this development have on the CBD?

The development would introduce approximately 15,000 square metres of newly built retail space. The current

lettable area of the block is 12,000 square metres.

The modelling undertaken suggests that there would be potential demand for a greater retail space than is currently available.

The economic modelling suggests that an investment of this size would lead to an overall increase in the gross domestic product (GDP) of Southland, which in turn, may lead to increased demand. The establishment of a functioning CBD is also recognised as a key driver of urban growth. The strategy is that the combination of these factors would positively impact the demand for retail space in neighbouring properties.

Outside any potential role as an investor in this development project, Council would work to ensure that the benefits of the development would be extended to the broader community.

How will Council's investment be paid for?

The investment in the City Block Development 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.

What will this investment cost me, as an individual ratepayer?

Under Council's current policies, this investment would result in a 1.2% rates increase for the average rate payer. For example, if you currently pay \$2,000 in rates annually, your rates contribution to the investment for say, the first year, would be \$24.00. At this stage of the proposal, these figures are indicative only.

What else will ratepayers / Council be responsible for?

Council would also be responsible for associated works to integrate the development with the broader environs. The total cost of this work is unknown but is anticipated to be approximately \$20 million.

To demonstrate the sort of work anticipated by this additional investment, it is appropriate to refer to the report from Pocock Design Environment that outlined eleven major projects for the inner-City area that would create reasons for the community to re-engage with the CBD. The upgrade and inclusion of “pocket parks” on Esk Street was the most visible of these projects so far. Just over \$6.3 million has been included in the 2018-28 Long-term Plan for work to progress these projects. This means that an additional \$14 million is the amount required.

Council has already undertaken substantial work on the investment that will be needed to revitalise the inner-city area. Some of this has been budgeted through prior and the current Long-term Plan budgets.

Why is this development proposed now?

There has been a strong desire for renewal in the CBD. The Southland Regional Development Strategy (SoRDS) project identified the importance of this work and it is unique in having such strong support from local business investors who have a passion for their city.

There is no perfect time to invest in a major project such as this. There are, however, a number of points that suggest it is as good a time as any:

- + The cost of the project is lower during periods of higher growth in gross domestic product;
- + Tourism numbers are projected to continue to increase; and
- + The risk of doing nothing

Council received a request to invest \$20 million in a project to revitalise the CBD. Council would only be one of the parties investing to make this happen and a delay in this project would risk other potential funders walking away from the investment.

What is the Resource Consent Process?

The resource consent process is a different process to this investment consultation. The resource consent process included design aspects and the environmental

impacts of the proposed development. Council engaged independent commissioners to ensure that there was no Council decision-making involvement in assessing the resource consent application.

If Council invests when would the demolition or rebuild start?

The timing of the demolition and rebuild process would be determined by the resource consent and any conditions that may be applied. For the 2021 operating target to be met, demolition work would most likely begin as soon as it is permitted.

What is the term of the investment?

Council's investment in the City Block Development would be long-term. Council would expect to receive a return on its investment. It is possible that this return would increase over time and make the investment commercially attractive to a third party. Council would, as with all its investments, continue to review the benefits and costs of holding its investment over time.

Does Council have an exit strategy?

If Council proceeds with investment in the City Block Development, it expects that the investment would be for the long-term. Council would, as with all its investments, continue to review the benefits and costs of holding its investment over time.

Why is this proposal focusing on a new build rather than on retaining and re-using heritage?

The resource consent application for the development requests demolition of a number of heritage identified buildings. HWCP Ltd have advised that the scale of the City Block proposal, along with earthquake considerations, advanced deterioration in some of



the buildings, and the requirements of modern retail businesses, mean widespread retention and reuse of the heritage buildings in this block is not commercially viable.

Invercargill has more than 80 heritage buildings in its main shopping streets, which provide a rich and interesting streetscape. However, as in many cities, what used to be a streetscape of historic frontages is now broken up by a mixture of later twentieth century commercial buildings.

Council has this year adopted the Invercargill City Centre Heritage Strategy 2019, which has the following goals:

1. A vibrant, sustainable and active City Centre where heritage is highly valued.
2. Key heritage resources within the City Centre are, if practicable, actively utilised, creating positive community and economic outcomes.
3. New development and adaptive re-use projects respect our City's heritage context.
4. Heritage values and character of our City Centre are celebrated and protected.

Council acknowledges that other cities around the world have committed financially to projects that retain and reuse heritage buildings. The City Block proposal retains some heritage aspects, but is mainly a new build.

Are there any ongoing operational costs if Council is a shareholder?

If Council was to invest, it would not anticipate a commercial return on its investment in the short term. The development would be expected to satisfy ongoing operational and financing costs with a small return to Council. Council would also have its own ongoing costs associated with the monitoring and governance of another entity.

What would happen to Council's investment if something goes wrong?

Council would be a shareholder in the entity undertaking the development. As a shareholder, Council's interests

would be behind those of any bank or other loan funder. In the event that the investment did not succeed all parties would be focused on ensuring the greatest return possible from the investment made.

Council would ensure that the investment is managed as far as is practicable in a manner that minimises the risks of this occurring. Council would seek and obtain independent commercial advice on the terms of the investment prior to signing any agreements.

How would Council avoid being the final point of call for any extra funding needed?

As a shareholder, Council would not be obliged to invest further funds in the development.

As a stakeholder Council may feel obliged to ensure that the project is completed. Acknowledging this, Council 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.

YOUR MONEY FOR CITY BLOCK?

INVERCARGILL CITY COUNCIL'S AREA 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.

