

Mayor and Councillors
COUNCIL

14 MARCH 2013

Meeting Status: **Public**

Purpose of Report: For Decision

CLEAN TECHNOLOGY TRUST: REALLOCATION OF AVAILABLE FUNDING

PURPOSE OF REPORT

- 1 The Clean Technology Trust has requested an addendum to the Trust Facilities Agreement with Council to reallocate funding within the overall loan amount provided. This report brings this to Council for decision.

SIGNIFICANCE OF DECISION

- 2 The Council's significance policy is not triggered by this report. The matter raised falls within existing budgets and is consistent with current Council policy.

BACKGROUND

- 3 In June 2012 the Council approved (SP-12-535) making available to the Clean Technology Trust the ability to draw on up to \$1.5million of funding from Council via a Facilities (Loan) Agreement, with principal and interest to be paid back over nine years. The categories of use for the funding was specified in Schedule 3 of the Agreement as follows:

- operating costs up to \$300,000
- underwrite of lease over period up to \$250,000
- clean tech systems: building up to \$400,000
- clean technology projects up to \$550,000

- 4 The Trust is focused at present on establishing the Clean Technology Park Stage 2 building (the Stage 1 building accommodates the Clean Technology Centre). It has concentrated on securing 3x3x3 lease agreements and has secured 50% of the required tenancies but has reached a point where it is important to proceed to build to fully realise demand and signal commitment. It seeks to shift the funding from the projects category to an increased underwrite facility which would total \$520,000.

- 5 This report addresses this request.

CONSIDERATIONS

- 6 The Clean Technology Trust faces something of a 'chicken and egg' situation where it needs to signal tangible commitment to the Trust and Park concept by proceeding with the Stage 2 build. It is of the view that once started it would have an enhanced opportunity to secure further tenants.

- 7 Fully tenanted, the building will realise rental revenues of \$140,000 per annum. So far the Trust has managed to sign up sufficient tenants to secure half the revenue required. The Trust is confident that once the building is constructed it will be easier to find further tenants but there is potentially a shortfall of \$70,000 per annum. The Trust considers in the letter from the Chair that it can carry \$40,000 per annum of this shortfall risk (\$360,000 over nine years) but David Moloney requests Council extend its underwrite provision for the balance of \$30,000 per annum (\$270,000) over nine years from its committed loan funding. This would give a total facility within the loan funding of \$520,000 for underwriting of tenancy revenue shortfall.
- 8 While the letter from the Trust does not cover this, discussions with the Trust make clear that any increased revenue from tenancies would reduce the amount allocated for any underwrite which would then be reallocated back to the projects category.
- 9 From Council's perspective its strategic focus is on building the profile of the District as a place for clean technology development and new clean technology jobs. The construction of the Stage 2 building which is focused beyond the business incubation role of the current Clean Technology Centre is seen as central to that. The original assessment undertaken at the time Council considered making funding available noted statements of support for up to 70% possible tenancies but that a realistic pre-build tenancy take-up was probably about 50% which is what has been achieved.
- 10 In agreeing to the request from the Trust, the Council would be moving some of the risk profile from project based initiatives to tenancy underwrite. The original report to Council noted that up to \$1.1million was likely to be released by the end of Year 2. Release of funding for projects was only envisaged after Year 2 and when a high level of occupancy had been achieved. Under the proposed addendum the Council would be releasing up to \$770,000 within the first two years made up as follows:

2012/13	\$200,000	operating costs
2013/14	\$400,000	building features
	up to \$100,000	operating costs
	up to \$ 70,000	tenancy underwrite

Total \$770,000

- 11 Operating costs are intended to be funded from tenancy revenue, services to clean technology tenants and other businesses, and possibly in the longer term a return on any investment in projects. The Trust has already had opportunities to obtain revenue from provision of services but has chosen at this stage to focus on the build and the longer term programme.
- 12 It is recommended that the Council agrees to the reallocation of \$360,000 from the projects allocation to tenancy underwrite. It is also recommended that the Council approve an allocation range for both the underwrite and projects to provide flexibility as the Trust develops both the tenancies and projects. While risks do exist and the risk profile is changed, the level of risk that was identified as part of the Council's original decision to fund has not changed. The focus on an annual increased tenancy underwrite of \$30,000 per year rather than release

of larger sums for projects provides Council with the ability to regularly assess progress alongside the Trust.

Financial Considerations

- 13 The projected draw down on funding in the 2013/14 financial year assumed in the draft Annual Plan process is \$650,000. The requested reallocation does not change this figure.

Legal Considerations

- 14 If Council agrees to the requested addendum, this would be attached to the Facilities Agreement.

Delegation

- 15 The Council has the delegation to approve the recommendation in this report.

Consultation

- 16 The Council previously consulted via the Long term Plan on the overall loan amount to the trust and the addendum does not alter this amount.

Policy Implications

- 17 There are no policy implications.

Tāngata Whenua Considerations

- 18 There are no tāngata whenua considerations.

Publicity Considerations

- 19 There are no publicity considerations.

Other Considerations

- 20 There are no other considerations.

RECOMMENDATIONS

- 21 That the Council approves an addendum to Schedule 3 of the Facilities Agreement between the Council and the Clean Technology Trust which provides for between \$250,000 - \$520,000 for tenancy underwrite and \$280,000 - \$550,000 for projects, from the available loan funding of \$1.5million.

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ATTACHMENTS:

LETTER FROM DAVID MOLONEY, CHAIR, CLEAN TECHNOLOGY TRUST