Report	PE 07.466
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	Policy, Finance and Strategy Committee
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CentrePort Property

1. Purpose

To consider CentrePort's proposed building for New Zealand Customs (Customs).

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Exclusion of the Public

Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 are:

The information contained in this report relates to Port Investments Limited entering into a series of contracts for the construction of a new building. The contracts have not yet been entered into. The report outlines terms of the proposed contracts which may still be negotiated. Having this part of the meeting open to the public would disadvantage the Council and Port Investments Limited if further negotiations were to take place as it would reveal CentrePort's negotiation strategy. The Council has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice.

4. Background

CentrePort Limited (CPL) is proposing to construct a high quality six level building on Harbour Quays. The major tenant of this building will be Customs, which will occupy 7,034m^2 out of the total area of 7,244m^2, some 97% of the lettable space. The remaining 210m^2 or 3% of the area is intended to be let prior to completion. The cost of the development (building, infrastructure, fees and cost to finance) is forecast to be $32.1 million, and due to the amount involved, shareholder approval is required.

The detailed Business Case is included (refer **Attachment 1**.)

The following matters have been considered in this report:

- Approval of CPL Directors
- Proposed development
- Commercial terms
- Valuation of proposed building
- Green building standard
- Market analysis
- Project management
- CentrePort's future funding capacity
- Financial analysis
- Legal matters
- Risk areas
- Public comment on Harbour Quays
- Other Matters

5. Approval of CPL and Port Investments Ltd Directors

On the 28th June CPL's Board of Directors approved the company proceeding with this transaction subject to:

- Resource consents being granted for the development by Wellington City Council.
- The company securing a construction cost for the building of up to $24.5 million.
- The company securing suitable funding of up to $33.6million (being $32.1m for the project and a potential $1.5m for additional environmental features) for this project on terms acceptable to the company.
- Shareholder approval being granted.
- Customs securing final approvals from Treasury and cabinet of NZ Government.
- Adherence to financial forecasts to gearing and interest cover banking covenant ratios.

The Directors of Port Investments Ltd (as Shareholder in CPL) will be considering this matter at their meeting on 18 July.

6. Proposed development

The total cost of the project is as follows:

Cost of project $ million	**Notes**		
Construction cost	*1*	22.17	
Construction cost to achieve 5 star Green Building rating	*2*		1.00
Construction contingency		2.30	
Contingency to achieve 5 star Green Building rating	*2*		0.50
Professional fees		3.16	
Landscaping		0.92	
Site preparation		0.12	
Capitalised interest	*3*	1.50	
Infrastructure costs	*4*	1.91	
Cash cost of project	*5*	**32.08**	**1.50**
Plus deemed cost of land allocated to site net of additional infrastructure costs	*6*	1.52	
Total cost attributable to Customs Building	*7*	**33.60**	**1.50**

Note 1.

Construction cost of the building has been reviewed by Maltbys, Quantity Surveyors. Maltbys estimate the development cost to be $22.97 million inclusive of margins and contingency totalling $2.33 million. Malbys net cost estimate is therefore $20.64 million which is $1.53 million less than provided for above.

Note 2.

On 8 June 2007, Cabinet passed a directive that all property signed by Government Departments after 1 July 2007 must be for a minimum of 5 star rated buildings on the Green Buildings Council scale. The building design team believes that this building comfortably meets a 4.5 star standard. The additional cost of moving to 5 stars is between $1m and $1.5m. This table reflects a possible added cost of construction at $1m and provides for a contingency of a further $0.5m. This increased amount will be paid for by Customs either directly or through a higher rent or other charges.

Note 3.

Interest incurred while the building is being constructed is capitalised to the cost of the project.

Note 4.

CPL will undertake infrastructure works (roads, services etc) which will benefit the Customs building and any additional projects. CPL has pooled all the infrastructure costs and split them over the productive sites on a proportional basis.

Note 5.

The $32.08 million represents the cash cost of the project inclusive of contingencies. It includes the total cost of the infrastructure work, but excludes the cost of the land as this is already owned by CPL.

Note 6.

A market value for the land allocated to the project has been included.

Note 7.

The $33.60 million represents the total cost of the project, with all the associated infrastructure costs and land allocated to it.

7. Commercial terms

The proposed lease from CPL to Customs is to be in the form of the Auckland District Law Society (ADLS) Fourth Edition (an industry standard) with modifications and amendments. The most notable feature of the proposed lease is that it is a fully net lease, with all annual expenses being met by Customs, with only few exceptions.

Term	12 years commencing between March 2010 and September 2010.
Rights of renewal	2 terms of 6 years each.
Annual rent	Office – Net lettable area of 7,034m^2 made up of 6,536m^2 of office space and 498m^2 of terraces. Carparks – 18. Net annual rent to be set at 8.5% of the accepted cost less an allowance for the 210 m^2 retail area at $42,000. The accepted cost will comprise the actual costs at construction completion currently assessed to be $32.08 million including contingencies. Naming rights - at an annual cost of $5,000. Indicated net annual rent from Customs is therefore assessed to be 2,686,500 plus naming rights at $5,000.
Rent review	3 yearly and on renewal to current market rent. At all reviews the rent can be no less than the rent at commencement, known as a soft ratchet.
Operating expenses	Customs will pay 100% of the defined expenses for rates, utilities, fire service charges, fire equipment maintenance, planted ground maintenance, sealed ground maintenance, building management, building warrant of fitness costs, insurance premiums, cleaning the interior and exterior of the building, interior decorative maintenance, service and

	maintenance charges for lifts, air conditioning and other building services, cleaning of all drains and provisioning of all toilets and light fittings.
Fitout	Internal fitout will be undertaken as part of the main construction contract, but all costs will be met by Customs, who will be the owner of the fitout.
Premises make good	At term end or earlier termination, there will be no requirement for Customs to remove its fitout or to make good the premises.
Maintenance	Customs is obliged to maintain the interior of the building in a condition as they were at the commencement of the lease, save for fair wear and tear. CPL is obliged to maintain the exterior of the building structurally sound, watertight and clean and to maintain in good working order all building services.

Under any lease, it is the party which holds the responsibility for meeting the costs of operating expenses, which carries the risk. Rates and insurance are two major costs subject to variations and swings. This proposal has Customs responsible for all operating expenses. The return to CPL will therefore be consistent and free of risk from variation.

8. Valuation of proposed building

CPL had CB Richard Ellis (CBRE) value the property on the following basis:

- Valuation as at February 2010.
- The lease to Customs, as described above, will be in place.
- The building will be completed in accordance with the specifications defined.
- The building will occupy an assumed fee-simple site of 1,522m^2.
- The site will be fully serviced and all surrounding infrastructure and landscape development will be in place.
- The vacant space will be let at market rents by the time of building completion.

Customs will occupy 97% of the total building area. The balance of 3% comprises a ground floor retail unit and the rent this area should generate has been assessed to be:

Retail (ground floor)	210 m^2	\$ 200 m^2 net
Total potential additional rent		\$ 42,000 pa

Operating expenses are assessed to be $90.00m^2$ and on comparison with buildings of a similar standard and size, is deemed to be typical of the market.

Fully leased, the building is assessed to be capable of achieving an income, net of all operating expenses, of $2,535,149. This net income has been capitalised at 7 % which is reflective of the current demand from investors for well leased A grade buildings. Much of this top end commercial market is being influenced by the competition for property investment between the New Zealand and Australian based superannuation and listed property companies.

From the resulting indicated value, CBRE has appropriately allowed for the assessed rent from Customs versus a market rent, time and cost to let vacant areas, CPL cost to make good the building on Customs exiting.

The resulting assessed current market value of the property on completion of $36 million is considered to be appropriately arrived at, reflective of market and will stand the test of time.

9. Green Building Standard

The Crown and hence Customs, requires delivery of a building rated at 5 star standard on the Green Building Council scale. The building as designed to date, is assessed to comfortably achieve a 4.5 star rating. It is estimated that it will cost an additional $1 million to $1.5 million to achieve the 5 star rating.

It remains to be resolved between CPL and Customs as to which party will meet this additional capital cost. If it is Customs, the rental set out above will remain unaltered, but the capital value of the building should improve beyond the $36 million assessed as the upgrade will be inherent in the building's fabric.

If the capital cost of the additional work is to be met by CPL, two principal mechanisms are available to reflect that cost. Either the additional capital cost will be added to the rent or Customs will pay a separate capital repayment fee.

If the capital cost is recovered by additional rent, both the rent and the overall value of the building rise. The extent of the value rise will proportionately exceed the rent rise as there is a beneficial margin between rent (set at 8.5% of cost) and the rate of capitalisation adopted (at 7.0%). This is a benefit to CPL.

If the capital cost is recovered by a separate capital repayment with an interest factor added over the term certain period of the lease, this will imply that the additional work resides in the ownership of Customs. The rent will remain unaltered, but the value should rise as the additional work will be embedded in the fabric of the building and it is only the owner which can ultimately obtain that benefit.

10. Market analysis

The Wellington commercial property market is currently enjoying a very positive phase. The market pressure is across all sectors, but is particularly strong for the A grade quality buildings. Employment is the primary driver as companies strive to provide good quality accommodation conditions as an incentive to retain and attract staff. Modern buildings with large floor plates provide the tenant with an opportunity to minimise vertical travel and to achieve optimum layout and floor space efficiency gains. Typically tenants vacating traditional small floor plates in favour of fewer larger plates require significantly less overall space to house staff, thus achieving savings while improving conditions.

Rents have firmed and grown and are forecast to continue to grow into the foreseeable years.

Vacancy rates have diminished to the point where demand for new buildings to be constructed is beginning to drive and influence the market.

Yields from investment buildings have firmed in recent years and this is assessed to be maintained, with every likelihood yield rates falling even further as the demand for stock exceeds the available supply.

All the ingredients of the commercial property market point to a stable if not improving owner/lessor position with forecast rent increases and tightened yields.

The retail space created on the ground floor is more of an unknown quantity. Retail on the port side of the Quays has not had a good history. It may take the full construction period for this space to be taken up.

There is a slight concern at the number of carparks provided with the building which total 26.

Given that any building has an economic life of 60 plus years, it is also necessary to contemplate the bulk of the building being vacated by Customs. At that time it may be necessary to have several lessees occupy the available space. If each of those lessees required carparks, the current provision would probably prove to be inadequate.

It is appreciated, that basement carparks are not realistic. As an alternative, CPL may need to contemplate the construction of a dedicated carpark building.

CPL has yet to select a contractor for construction of the building. As the building is typical in the Wellington context, a number of construction companies will be capable of delivering the building. Construction companies will be invited to express interest during the preliminary design phase.

An assessment of construction cost has been compiled by Maltbys, quantity surveyors, to be $22,967,650. This sum is inclusive of a contingency sum of $1,093,697, being 5% of the assessed overall cost.

CPL proposes to manage the project from its own staff resources, including programme management. Typically a specialist programme management company would be employed to manage and supervise a project of this significance. The concern and risk that arises is that the programme manager lacks independence and may be constrained in the actions taken in response to issues arising and in the frankness of reporting.

11. CentrePort's future funding capacity

Westpac Bank has agreed in principle, to fully fund the Customs building and has provided indicative pricing.

CPL is required, under its existing and the new loans it will take out for this building, to maintain certain loan covenants.

However, the financial forecasts indicate that in 2010 CPL will be close to breaching these covenants. The loan covenants and the financial forecasts are:

- Total liabilities to total assets shall be less than 60 %.
- Earnings before interest, tax and depreciation (EBITDA) to interest costs shall not be less than 2.0 times.
- Tangible net worth (i.e. shareholder's funds) shall be at least $140 million.

The amount of headroom (i.e. the amount to which the numbers must deteriorate by before the ratios are breached) are detailed in the Business Case.

Measured at their low point in 2010 these are:

- EBITDA must decrease by $3.8 million, or;
- Interest costs must increase by $1.9 million, or;
- Liabilities must increase by $16.4 million or assets decrease by $27.3 million.

The amount of headroom between the required covenants and the forecast are not considered acceptable based on the current forecasts. While the amount of headroom may seem sufficient it is not in reality. A downturn in the economy, property or port operations would put CPL in danger of breaching one or more of its ratios. This would be an event of default under CPL's loan facilities, a very serious event. As such, the funding of the Customs building purely from debt is not considered a prudent course of action.

When the BNZ building was approved in August last year, it was noted by the Director's of CPL that additional equity would be required for any building after the BNZ. To that end the Directors of CPL have commissioned Fife Capital to recommend options to bring in third party equity. Fife Capital is an independent consultancy firm, specialising in property financing. A copy of their preliminary report is attached in the Business Case.

While a number of financing options have been discussed in the report, the preferred option at this stage is as follows:

a) Set-up a series of Special Purpose Companies (SPC).

b) Sell individual buildings along with a 99 year lease for the land to each of these SPCs.

c) Sell an interest in one or more of these SPCs to third parties.

d) CPL to have an option of buying back the shares based on a pre-determined formula at some time in the future.

A number of other options were considered by both Fife Capital and the Board of CPL, such as; securitisation, issue of perpetual subordinated bonds, sale of land. However, all of these were rejected.

It is an opportune time to put such a structure in place as there is a large unsatisfied demand for property investment from a number of large investors. A number of commercial properties in the region have been selling at yields approaching 6.5%. This compares to the forecasted yield on the Customs building at 7.8%.

The proposal noted above is a fairly standard financing arrangement, apart from the option to repurchase the shares based on a predetermined formula. It is likely that once the funding option is finalised and approved, then the particulars of the property will be tendered to the market. This will require prospective investors to tender on the yield they require (and hence the value they are willing to pay) along with the internal rate of return they require in the formula for the buyback.

Regardless of what option is finally approved it will entail selling of equity in some form to a third party. This, depending on the amount sold, will result in a reduced level of control by CPL in respect of those properties. This can be both a negative and a positive. It may limit CPL's freedom of action to the detriment of CPL and its shareholder. Alternatively, the new equity partner may bring a set of skills and experience which could benefit CPL's property portfolio.

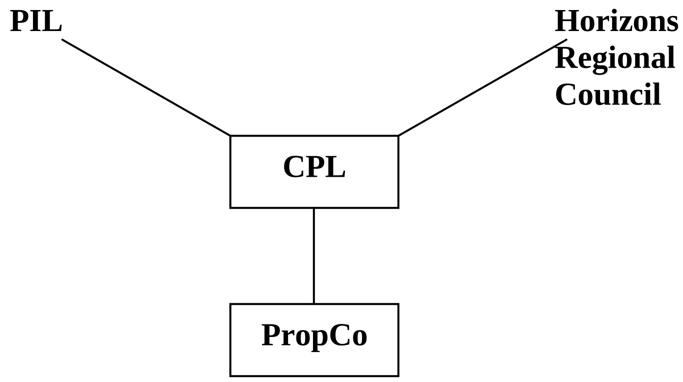
The selling of equity in some of CPL's property will reduce both the income available to CPL and the interest costs as a result of the lower debt. It is likely in the current market that the economic benefits of selling equity and proceeding with the Customs building will be greater than not selling equity and not proceeding with the Customs building.

However, if the shareholder is not comfortable with the selling equity interests in property then there are serious questions in respect to approving this project. Shareholders need to be satisfied that the basic premise of selling equity interests in properties (but not the land) is acceptable to them. If they are not, then funding the project solely from bank debt is not considered appropriate and shareholders should not approve this project.

Assuming the shareholder is comfortable with introducing some form of third party equity then CPL will consider this matter over the next few months. It is expected that a proposal will be put to shareholders for their approval prior to Christmas.

12. Restructuring of CentrePort

As shareholders will be aware, CPL will be restructuring the Company into a Port company and a Property company as detailed in the diagram below.



A number of details of this new structure are still being resolved and will depend to some extent on finalising the options for third party equity discussed above. It is expected that the final structure of the Port and Property companies will come back to the shareholders for consideration at the same time as the proposal for third party equity is considered.

13. Financial analysis

This is a major project, both in size of the building and the dollars involved. It will be funded with no contributions from the shareholders.

The financial analysis for the building has been carefully scrutinised by CPL's management and directors.

The cash cost of the building is estimated at $32.1 million as detailed in Section 4. The total cost attributable to the Customs building is $33.6 million.

Fully let, and in the first full year of operation, the project will add $0.48 million in pre-tax profits as detailed below.

Fully let	**$ million**
Rental income	2.74
Depreciation (1)	-
Earnings before interest tax	**2.74**
Finance costs (2)	2.26
Net profit (loss) before tax	**0.48**

Note 1.

No depreciation is charged as the building is revalued (either up or down) each year.

Note 2.

Finance costs are based on the total funds borrowed; $31.0 million at an interest rate of 7.2 %.

At first glance investing $31.0 million to increase pre-tax profits by $0.48 million would not appear to be a reasonable return. However, in the calculation above the entire $31.0 million is borrowed and the $0.48 million profit is after deducting finance costs. CPL has not put any of its own monies into the project.

CBRE in valuing the building have also prepared a discounted cash flow (DCF) valuation of the project. The DCF valuation simply looks at the cash out flows and the cash in flows (the rental income) over time using a discount rate to allow for the time value of money. Based on the CBRE analysis the project produces an initial yield of 7.08% and an internal rate of return of 9.29% over the project life. They have also valued the building on completion at $36 million, compared with an allocated cost of $33.6 million.

The assumptions and methodology used by CBRE have been reviewed and they are considered reasonable and in line with market expectations.

The financial data produced by CPL also makes a number of assumptions regarding the Port which have been used in the financial data produced in the Business Case. The assumptions used for operating expenses appear reasonable. However, the growth assumptions for container volumes etc may be optimistic if the port reforms in New Zealand do not meet CPL's expectations. While good growth has been achieved in the last couple of years there is no guarantee this will continue.

The port operations are likely to carry a higher degree of risk over the next few years than the property arm of CPL. It can be argued that the property development that CPL is undertaking will provide a more stable income stream that can be used to offset the potentially more volatile port operation. It must also be noted that the Port's results will be the same regardless of whether this project goes ahead or not.

Overall this reduced financial flexibility is outweighed by the value the project brings to the shareholders and increased stability of earnings to CPL.

Overall the analysis indicates that this is a financially attractive project which will add value for the shareholders.

14. Legal matters

14.1 Development agreement principal features

- CPL and Customs shall consult, liaise and agree the development design and specifications, Customs fitout shall be integrated into the base building works yet will be under a separate contract.

- Approval by Treasury and Cabinet by 15 August 2007.

- Final approval by CPL Board by 4 December 2007.

- Application for resource Consent lodged by 9 October 2007 and obtained within 9 months of the date of CPL Board approval.

- Customs to enter an obligation to execute a lease of the premises from date of practical completion.

- Customs retain an ability to terminate the agreement if practical completion is not achieved by the long stop date of September 2010.

- CPL is required to procure a contractor and obtain all the necessary consents.

- Force Majeure – Either party may be excused from its obligations of the agreement without liability if such performance is prevented by an event of Force Majeure.

- CPL has agreed to complete additional work prior to practical completion comprising – Arrange a pedestrian crossing across Waterloo Quay, Complete construction of the proposed boulevard from Hinemoa Street up to Lane 3 with all associated landscaping included. Construct the Shed 35 parkland or if a carpark is developed on that site, it will include areas of landscaping.

14.2 Resource consent

- Wellington City Council Plan change 41 and notified plan change 48 have changed the compliance status of building developments within CPL Harbour Quays area. The proposed Customs building will require resource consents. It is an unresolved matter as to whether or not the resource consent application needs to be notified or not.

- If the resource consent is non-notified, the timing of the project will remain undisturbed. If the resource consent is to be notified, this may impact on the timing of the project and its delivery date.

14.3 Vibrant Wellington

- On 14 November 2006 CPL was served with an application to the High Court by Vibrant Wellington Limited (VWL) for judicial review seeking to quash Wellington City Council's decision not to notify CPL's application to develop the BNZ site. The defendants are CPL and Wellington City Council.

- CPL and WCC have negotiated with VWL and a conditional agreement was reached whereby:
  - There would be a ceiling of 25,000 m^2 of additional net lettable office space developed within Harbour Quays, disregarding the BNZ building, existing commercial office space, any redevelopment of shed 35 and Maritime House.
  - The Bluebridge terminal is removed from the Port redevelopment precinct.
  - CPL and WCC reach agreement on a District Plan variation to provide for an increase in height from the current 27 metres on some sites within Harbour Quays area and the agreed ceiling of net lettable area to be imposed on the Harbour Quays area.
  - CPL and WCC to agree on the development of the indoor sports complex on CPL land north of Hinemoa Street.
- The nominated conditions have not been met. There is therefore no agreement with VWL. There is therefore every likelihood of VWL either objecting to a notified application or file for judicial review if the application is handled as non-notified.
- CPL legal advice is that provided WCC processes the application correctly there is little scope for VWL to seek a review and very little likelihood any court action would overturn the WCC consent.

14.4 The CPL and Customs Lease

- The proposed lease is a standard ADLS 4th Edition lease with a number of changes which preserve fair balance between Landlord and tenant.
- The use of the premises is unusual as it provides for office and ancillary use including storage. Customs may store noxious, illegal or dangerous goods on the premises, however in doing so Customs must comply with all statutes and regulations. Customs must not do anything which would void CPL insurance of the building.
- Customs require special security provisions. Customs will be responsible for security arrangements for the building. Customs will ensure CPL and other tenants retain full access rights to the building.
- CPL is to use its best endeavours to provide energy efficient outcomes identified in the lease. CPL will undertake regular commissioning and monitoring work of those parts of the building and its services which are relevant to such outcomes.

- The planned building comprises an area greater that is currently required by Customs. Part of the building will be completed as a shell only, (the reserve area). Customs shall pay an abated rent for the reserve area. Within the first 6 years of the lease, Customs may require CPL to complete the reserve area. From completion of that work, Customs shall pay a full market rent. If after 6 years Customs has not required the reserve area to be completed, CPL may complete the work and Customs shall, pay full rent for the area.

14.5 Land ownership legal issues

- The development site D4 to contain the Customs building is contained within part CT WN34C/102. This CT is subject to a Section 27B State-Owned Enterprises Act 1986 memorial which provides for the resumption of land on the recommendation of the Waitangi Tribunal. The Statistics building is partially located within the same title. CPL is of the view that the Crown is unlikely to wish to purchase this property to satisfy its claims process as it holds more than enough land in its own portfolio to meet any settlement. In any event, the Crown is required to compensate any owner of such land acquired with full current market value.

- The provisions of the Seabed and Foreshore Act 2004 do not apply to the land at Harbour Quays.

- Section 237A of the Resource Management Act will apply when land is being subdivided.

- Section 26 of the Port Companies Act 1988 requires CPL, when disposing of land, to comply with Section 40 of the Public Works Act 1981 (PWA):

  - The land at Harbour Quays is largely reclaimed land. The land therefore had no former owner from whom it was acquired.

  - As per the exemption provisions of Section 40 of the PWA, there has been significant change to the character of the land and it would be impractical, unreasonable and unfair for CPL to be required to offer the land back to the former owner.

  - Section 40 clearance reports have been executed by CPL which ensures CPL compliance with its disposal obligations.

- As the CPL land adjoins the foreshore it is subject to the requirements of the Overseas Investment Act 2005. Any allotment at Harbour Quays which exceeds 2,000m^2 will be deemed sensitive land under this Act. Any proposed sale or lease to an “overseas person” will require consent to be sought.

15. Risk areas

15.1 Interest Rates

An increase in interest rates by 0.25% increases the annual cost of borrowing on the project by $78,000. However, CPL intends to minimise their exposure by fixing their interest rates. The interest rate assumption is considered reasonable.

15.2 Building cost

If the building costs exceed current estimates then the returns to CPL and its shareholders will be reduced, thus making the project less attractive.

The cost of the building has been estimated at $ 22.17 million. Detailed work is currently being undertaken to enable a fixed price construction contract to be put in place. If the detailed work results in a cost higher than this, then CPL has the option of not proceeding or proceeding with the same rental income.

15.3 Port downturn

The New Zealand port environment is undergoing significant change with larger ships, fewer shipping lines and less port calls. While CPL believes it is well placed to take advantage of this rationalisation there is no guarantee that they will. In the event that there is a port downturn affecting CPL then this will reduce the profitability of the port operations.

Whether CPL proceeds with this building or not will have little effect on the results of the port. The building will, as noted above, reduce the financial flexibility of CPL. However, if required, and with shareholder approval, CPL can alleviate this issue with the injection of third party equity.

A 'no growth' scenario for the port has been modelled and compared with the financial covenants that CPL will have to comply with. Under this scenario CPL still complies with its loan covenants.

15.4 Property expertise

CPL is primarily a port operation; however, it has converted a number of existing buildings for commercial use (NZRFU, Telstra Clear), constructed the new Department of Statistics building and is constructing the BNZ building. There is some concern that CPL will need to increase its level of property expertise as it develops further property. This will be addressed in the restructure of the Company noted previously.

In the meantime CPL is of the opinion that there is sufficient property expertise within CPL and with its advisors to complete this building successfully.

16. Conclusion

This is a substantial investment for CPL. The analysis of the financial and commercial aspects of this proposal is positive and concludes that it will add value to CPL and its shareholders. There are some risks in this investment but they are considered to be at an acceptable level and where possible appropriately managed.

17. Communication

At this stage no communication is recommended as there are still a number of matters to be concluded.

18. Recommendations

That the Committee recommends that Council:

1. ***Receives** the report.*

2. ***Notes** the content of the report.*

3. ***Supports** CentrePort's intention to proceed with the Customs Building.*

4. ***Notes** that Port Investments, as Shareholder of CentrePort, will consider this matter at their meeting on 18 July.*

5. ***Notes** that in supporting this project then CentrePort will, over time sell equity interests in some of their property, that the exact form of this is still to be finalised and will require further shareholder approval.*

Report prepared by: Report approved by:

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Barry Turfrey
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Attachment 1: Business Case