

QLDC Council

23 March 2023

Report for Agenda Item | Rīpoata moto e Rāraki take [7]

Department: Assurance, Finance & Risk

Title | Taitara : Request for Council Guarantee in Favour of the Queenstown Lakes Community Housing Trust

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to respond to the request from the Queenstown Lakes Community Housing Trust (QLCHT), asking that the Council provide a guarantee of up to \$2,000,000 for the purpose of supporting the Trust's application for the loan from Westpac for the Longview development at Hāwea.

Recommendation | Kā Tūtohuka

That Council:

1. **Note** the contents of this report; and
2. **Approve** the Council providing the deed of Guarantee in favour of the Queenstown Lakes Community Housing Trust (or its nominee) for an amount of \$2.0m to secure the loan from Westpac for the Longview development at Hāwea, provided that the Trust indemnifies Council against all liabilities arising out of the discharge of its obligations under the Guarantee.

Prepared by:



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2 March 2023

Reviewed and Authorised by:



Name: Michelle Morss
Title: Acting Chief Executive
3 March 2023

Context | Horopaki

1. Council has entered into a Relationship Framework Agreement (RFA) with the QLCHT which among other things, outlines how the Council will support the QLCHT in its activities.
2. Within this agreement clause 3.10 notes that “QLDC support may, from time to time, be necessary to support the Trust’s activities, including by way of written assurances or security in the form of guarantees of QLCHT’s performance of obligations it incurs to third parties. QLDC may continue to provide performance guarantees on terms and conditions agreed in relation to any request by QLCHT that QLDC do so.”
3. Council has previously provided similar guarantees for QLCHT. In November 2016, Council agreed to enter into a guarantee in favour of the QLCHT for an amount of \$2m in relation to its Rental Property 5 year loan at Shotover Country. The loan was provided by the Central Lakes Trust (CLT). This guarantee was extended in 2020 for a further five years.

Analysis and Advice | Tatāritaka me kā Tohutohu

4. QCHLT is in the process of finalising the financing for the Longview development at Hāwea with Westpac.
5. QCHLT has requested that Council provide a guarantee in relation to the proposed Westpac loan (Attachment B). Westpac has requested that the Council guarantee be on similar terms as the one provided for the existing CLT loan at \$2m.
6. A letter of request from QLCHT is attached as Attachment A. Please note that QLCHT will cover all the legal costs associated with the proposed deeds of Guarantee and Indemnity.
7. Option 1 Agree to provide the proposed Guarantee and Indemnity

Advantages:

- Agreement to the proposal will allow the QLCHT to finalise the funding from Westpac to support their Longview development at Hāwea.
- Agreement to the proposal is consistent with the outcomes described in the RFA, whereby Council supports the activities of QLCHT.

Disadvantages:

- Council assumes some risk in agreeing to act as guarantor, although this risk is offset by the proposed indemnity from QLCHT to Council.

8. Option 2 Do not agree to provide the proposed Guarantee and Indemnity

Advantages:

- No additional exposure to financial risk of Council acting as guarantor.

Disadvantages:

- Failure to agree to the proposal is inconsistent with the outcomes described in the RFA, and Council will be criticised for not supporting the activities of QLCHT.
- Failure to agree to the proposal may prevent QLCHT from finalising the funding from Westpac to support their Longview development at Hāwea.

9. This report recommends **Option 1** for addressing the matter because it is consistent with the Council's commitments made in the RFA to continue to support the QLCHT.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

10. This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because of its importance to the Queenstown Lakes District and community.
11. The persons who are affected by or interested in this matter are the QLCHT; residents/ratepayers of the Queenstown Lakes district community.
12. The Council has previously consulted on the Housing Our People (HOPE) Strategy and the 2021 Homes Strategy.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

13. This matter relates to the Community & Wellbeing risk category. It is associated with Risk 00056 Ineffective provision for the future planning and development needs of the district within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.
14. This matter relates to this risk because it impacts the ability of the QLCHT to deliver on the outcome of providing affordable housing options to the community. It also impacts the reputation of QLDC as a partner in achieving this outcome. The recommended option considered above mitigates the risk by treating the risk through the provision of the guarantee in support of the QLCHT.

Financial Implications | Kā Riteka ā-Pūtea

15. Council assumes some risk in agreeing to act as guarantor, although this risk is offset by the proposed indemnity from QLCHT to Council. The legal costs associated with the proposed agreements will be fully covered by QLCHT.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

16. The following Council policies, strategies and bylaws were considered:
- Relationship Framework Agreement (RFA) with the QLCHT
 - 2021-31 Ten Year Plan.
 - Queenstown Lakes Spatial Plan
 - 2021 Homes Strategy
17. The recommended option is consistent with the principles set out in the named policies.
18. This matter is not included in the Ten Year Plan/Annual Plan because the granting of guarantees of this type is not required to be explicitly included.
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Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

19. A legal review of all proposed documentation will be completed before signing by Council.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

20. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The recommendation provides support to the QLCHT in providing affordable housing options within the district. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

21. The recommended option:

- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Copy of letter from QLCHT requesting support
B	Copy of draft deed of Guarantee and Indemnity