

Municipal and Domain Endowment Funds

How much are the Municipal and Domain Endowment Funds' assets worth?

The Municipal Endowment Fund has total assets worth \$42.6 million.
The Domain Endowment Fund has total assets worth \$9.9 million.
Collectively the two endowment funds have total assets worth \$52.5 million.

What are the key purposes of these funds?

The Municipal and Domain Endowment Funds provide capital funds for crown endowment land for investment in property.
Rental income and interest earned from the Municipal Endowment Fund land and property is used by the Council to offset rates.
Rental income and interest earned from the Domain Endowment Fund land and property is used to fund operating costs for parks and reserves in the city.

What types of property do these funds look after?

Both funds own land, buildings and cash. The land and buildings are leased and the rental income received is used for the purposes described above. Cash is held in restricted reserves and the interest received is used for the purposes described above.

How have the funds been performing over the past five years?

The Municipal Endowment Fund has returned an average annual net yield of 7.36 per cent.

What is Hamilton Properties Limited?

Hamilton Properties Limited (HPL) is a 100 per cent Council Controlled Trading Organisation (CCTO) which was in operation from 1989 to 1998.

Who will have control over financial decision-making under HPL?

HPL will have its own Board of Directors, independent from the Council. The HPL Board will be responsible for all decision-making. The Council's objectives for HPL will be set out in the Municipal and Endowment Fund Policy and HPL's Statement of Intent (yet to be drafted).

Why did HPL stop operating in 1998?

The objectives of HPL were explicitly set by the Council with a target date of June 1999. It was determined that the objectives were met by 30 June 1998 and the assets were transferred back to the Council.

What are the benefits to resurrecting HPL?

The Statement of Intent will set out how HPL will apply both the capital and income of the endowment funds to achieve the Council's long-term objectives. HPL will have an improved ability to act quickly and partner with the private sector. The appointment of an external, independent Board of Directors will provide experience, expertise and opportunity.

Does this mean the Council will be competing against the private development sector?

No. HPL will actively seek opportunities to partner with the private sector where possible, and may undertake projects that have a wider public benefit but are not commercially attractive to the private sector.

Will this make it easier for the development community to work with the Council?

Yes. Council would like to partner with the development community to deliver exceptional outcomes where possible. The HPL governance and management structure is intended to be lean and agile with the ability to make decisions quickly and take advantage of market opportunities when they arise.

Why does the Council get involved in property ownership?

Historically the Council has been endowed by the Government with property assets intended as a means of generating a constant long-term income that can be used for the public good. The Council can manage these property assets in a number of ways, either internally, externally or a mixture of both.

What are the benefits to ratepayers?

HPL will have the ability to take advantage of opportunities quickly. The minimum level of financial return is secured against the Council's cost of debt. HPL will be able to leverage the endowment funds to directly or indirectly support, advance and implement Council's strategic plans (10-Year Plan, Hamilton Plan and District Plan).

Does HPL have a primary focus on the central city?

No. There will be an emphasis of the central city but HPL will seek project opportunities throughout the city. The Council will identify the priorities within the strategic plans in each 10-Year Plan.

When will a final decision be made?

29 September 2016. The Council will approve the Municipal and Domain Endowment Fund Policy, the Constitution of Hamilton Properties Limited and the Hamilton Properties Limited Business Case when it meets then.

When will HPL be up and running?

1 July 2017.

Who will be/is on HPL's board of directors?

The Council will start recruiting for HPL's Directors in September 2016. This will be done in accordance with the Council's Appointment and Remuneration of Board Members to Council Controlled Trading Organisations (CCTOs) Policy. It is expected that the Council will appoint the directors in March 2017.