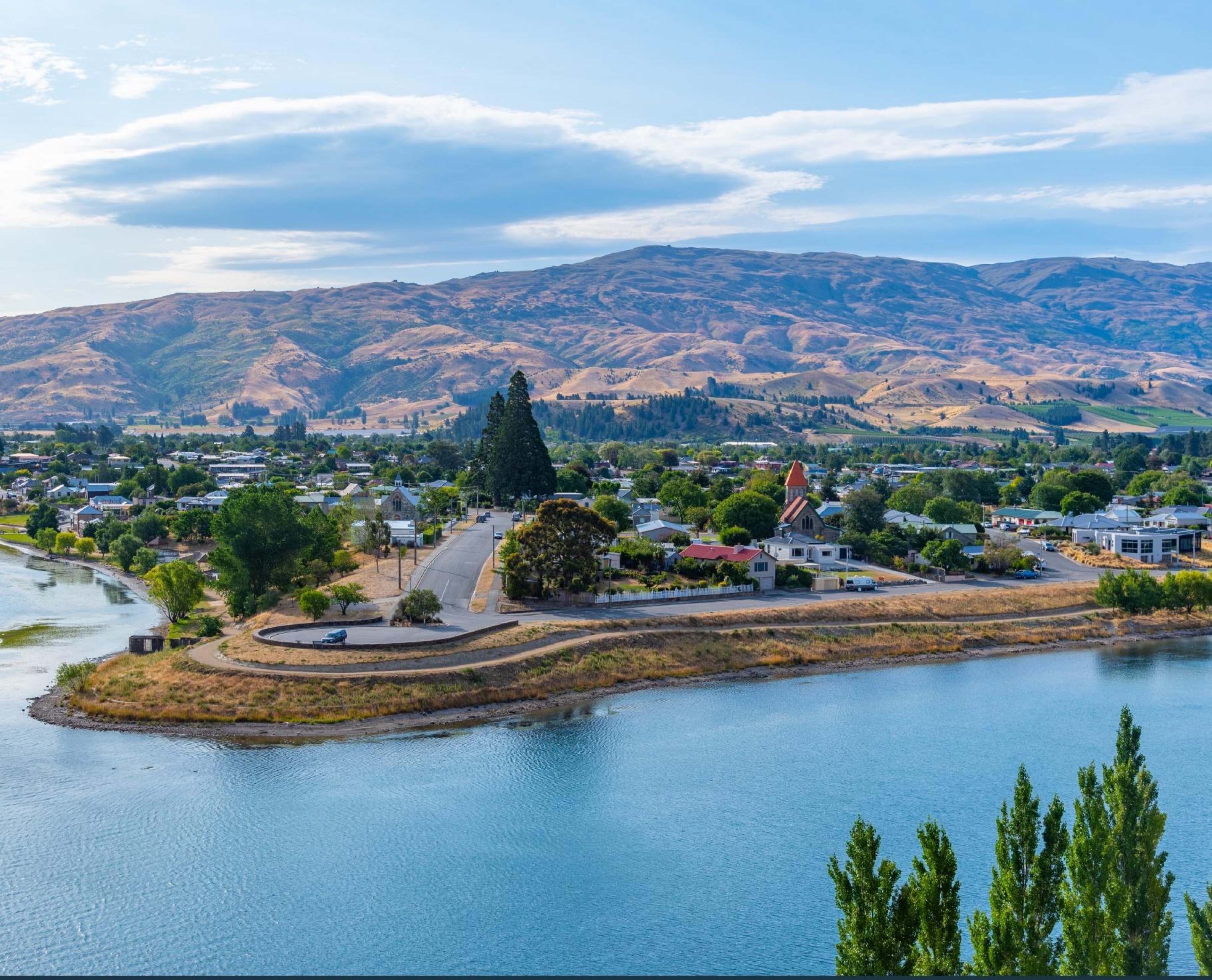

Cromwell Endowment Land Investment Strategy - Investment Principles and Outcomes

June 2025

CENTRAL OTAGO DISTRICT COUNCIL

Introduction and Background

The Cromwell Endowment Land Investment Strategy is intended to both build upon, and to 'bridge the gap', between CODC's recently completed Cromwell Masterplan and opportunity associated with endowment derived landholdings in the Cromwell area.

The Investment Strategy will be developed to provide a consistent approach for assessing endowment (and potentially other) land holdings to ensure best value is achieved, future opportunities are identified, and maximum community benefit is derived.

The overarching goal is to create an enduring framework that enables the Cromwell Community Board (CCB) to make strategic investment decisions that are based on evidence, are clearly tethered to **agreed principles** and which achieve **desired outcomes**.

There is a further opportunity to use and adapt these base principles and outcomes – and indeed the wider Investment Strategy once complete – to develop a consistent templated approach for wider CODC investment decisions on Council landholdings.

In summary, the Investment Strategy will:

- Acknowledge the need to proceed strategically
- Recognise the scale and the opportunity inherent in the property portfolio
- Record the investment principles and outcomes sought and bring every decision back to these core drivers
- Develop a macro-view of the Cromwell Endowment Land asset base
- Provide an integrated and strategic approach for identifying and evaluating land assets
- Rely on quantitative analysis (e.g. historical trends, growth projections and market data) and factual information process to assess what provides for the CCB desires and aspirations
- Discourage ad-hoc decision making and short-term thinking
- Provide consistency of approach over time, across people and electoral cycles
- Lead to decisions that are defensible and will withstand scrutiny.

The Investment Strategy is ultimately intended to exist as a 'living' document.

It is proposed to formulate a framework for decision making which captures the strategic objectives of the CCB. The Investment Strategy sits within the context of a wider suite of CODC documents and will exist to acknowledge and proactively manage the historic endowment of land. The Investment Strategy needs to reflect the goals of the community – which means it needs to remain current. It should be set up in a way that the *present* community's aspirations, as formally recorded in visioning, planning and other Council / community-lead documents that may be live at the time, can be considered and integrated into the Board's decision making.

The focus of the 09 December 2024 facilitated workshop exercise with the CCB was to generate some discussion around strategic direction, and to establish a draft set of <u>Investment Principles</u> and <u>Defined Outcomes.</u> The key overriding question in this regard was:

What drives every investment decision and what do you want to achieve?

This paper has sought to capture the discussion at the CCB workshop and arrive at a set of **investment principles** that provide a foundation and a touchstone for subsequent investment decisions as they relate to Endowment Landholdings in the Cromwell Ward. Further to that, the **investment outcomes** sought by the CCB have also been captured and recorded.

It is recognised that there are some statutory and wider-CODC intentions that are central to the way in which the CCB operates and makes investment decisions. These are picked up and included as foundation principles.

The paper also refers to – and relies on – the important foundational work initiated and carried out by the CODC and the CCB to date, particularly since 2018 when the *Eye to the Future Cromwell Masterplan* was commenced. We emphasise, that the principles and outcomes as described to us by the CCB, are very much a continuation and extension of that work, and collectively, will provide a solid foundation for all subsequent investment decisions.

The Investment Principles are discussed and formulated under the following headings:

1. CODC Mission
2. Purpose of the Endowment Land
3. Longevity and Consistency
4. Stakeholders and Community
5. Decision Making

The Investment Outcomes are summarised as follows:

1. Sustainable Growth
2. Economic Resilience
3. Prudent Financial Management
4. A Healthy Community

Investment Principles

The Investment Principles are high level. Their purpose is to place investment decisions within the wider operating parameters and to ensure the context and background is understood and respected. The Principles should 'talk to each other'. They do not exist in isolation. There is a thread that runs through them and collectively, they sit within a broader set of CODC objectives and provide a touchstone for all decision making.

We have captured five Investment Principles in discussion with the CCB. These are detailed below.

1. CODC Mission

Compliance with the requirements of the Local Government Act and other statutory requirements is the base requirement for the CCB, as is adherence to any constitutional requirements associated with the CCB's governance function. These matters were clearly well understood and immediately articulated by the CCB members. As non-negotiables, we have not specifically included compliance with these statutory and constitutional requirements as an investment principle. These are considered to be 'a given' as they are legal obligations and underpin good governance.

Consistency with wider CODC strategic and organisational objectives is however important and should be recognised.

Council's mission articulated in the 2024-2045 Long-term Plan is to support and enable a safe, healthy and thriving community and environment. Council's role is to provide leadership, good quality local infrastructure, public services and regulatory functions and to support local economic growth and development. When doing this, it is mindful of rising costs and aims to deliver its services well, with affordability in mind. It provides these services to meet the needs of the community as expressed in the following community outcomes:

- *Respect for the Environment*
- *Increased Economic Prosperity*
- *Robust Social Fabric*
- *Expressions of Culture"*

All subsequent activities of the CODC at every level must be consistent with the stated mission. This includes the operation of the CCB and the various functions and activities that it undertakes. As such, it is appropriate to capture this as a guiding requirement for the Cromwell Endowment Land Investment Strategy and include as a foundation investment principle.

Investment Principle

To recognise Central Otago District Council's mission to support and enable a safe, healthy and thriving community and environment and to ensure all investment decisions as they relate to the Cromwell Ward are consistent with this mission.

This principle captures the wider CODC mission and applies it in the local context. As such it ensures consistency with the wider organisational mission and focuses the CCB's decision-making processes as they relate to Endowment Land in a Cromwell-centric fashion.

2. Purpose of the Endowment Land

At the core of this investment strategy are the Endowment Landholdings. Understanding and acknowledging the genesis and the purpose of the Endowment Land holdings is fundamental to every subsequent action. We have reviewed multiple documents which reference the history, and there are a number of slightly different inflections, but at its core the purpose can be described as for "the betterment of Cromwell". Indeed, these exact words were used by members to express the purpose as they understood it at the December CCB meeting.

Legal advice previously procured by the CODC records the purpose of the endowment is "in aid of Borough Funds". The question around the area any income from the endowment can be applied to was also confirmed in legal advice. A strict language interpretation would be defined by the legal boundaries of the Borough of Cromwell as they existed at the time of the Grant. Legal advice provided to CODC over the last decade suggests that it would be reasonable to infer that it was intended to benefit the area that can be regarded as the modern-day town of Cromwell.

The working definition provided by the CODC staff is as follows:

> *"Endowment land" refers to the land held by the council in trust for the betterment of the Cromwell community*

Accordingly, the following Principle has been developed:

Investment Principle

To make decisions that are consistent with the original purpose of the Endowment Land and advance the betterment of Cromwell.

This principle acknowledges the intention of the Endowment Land and applies it to the context of today.

3. Longevity and Consistency

The Board recognises that the makeup and membership of the Cromwell Community Board will change as elected members come and go in line with political cycles. As an entity however, the Board endures. The principles established by the CCB, and the way in which the CCB approaches all investment decisions must transcend the composition of any single Board within any particular triennium election cycle.

The work of the CCB is ongoing and recognises the valuable work and that has come before and builds upon it. An ongoing successful example of this is the implementation of the core aspects of the Cromwell *'Eye to the Future' Masterplan and Spatial Framework*. The approach to investment decision making needs to be consistent – across time and across people / the makeup of the Board. The CCB is united and speaks with a single voice.

There is also an acknowledgement that decisions need to be considered in the context of multiple time horizons as follows:

- Current / Immediate / Short term
  - 1-3 years (Annual Plan cycles and LTP review)
- Medium term
  - 5-10 years (Long Term Plan)
- Long term
  - 10-30 years and intergenerationally (Strategic growth and Asset Management Plans)

The Board advocates for best outcomes now and into the future and recognises the overriding imperative of considering the long-term implications and outcomes of all decisions.

The Board members have emphasised that maintaining a long-term strategic view is an important core purpose of all Board activities and deliberations. Thinking about time horizons, the vision of Cromwell and surrounds, and any specific future objectives, are all matters that could be considered by the Board with the aim of more cogently defining its aspirations in this area. This would benefit from more discussion with Board members to flesh out and codify these elements. These could then be integrated into the Investment Strategy alongside, or as an introduction to the Investment Principles and Objectives.

As previously noted, all investment decisions must be connected back to the purpose of the Endowment Land in order to achieve best outcomes for the community.

Investment Principle

Recognise that there may be immediate imperatives, that circumstances change, and that new opportunities arise. Build upon previous work and make investment decisions that have an identifiable long-term strategic benefit for Cromwell.

There has been significant effort, time and money, expended over many years in planning for and shaping the physical aspects of the town and building Cromwell's identity as a community. This Investment Principle relates to the importance of acknowledging, respecting and understanding what has been done before and building upon it to achieve maximum value and best outcomes for stakeholders.

4. Stakeholders and Community

The ‘community’ is the current and future residents of the Cromwell Ward and all of the individuals and groups (including individuals and families, businesses, schools, churches, clubs, volunteer groups etc) that make up the population of the Ward.

The CCB acknowledges the rapid growth of the last two decades and the changing demographic profile with increased numbers of younger people and young families in particular.

The community vision for Cromwell is described in the Cromwell ‘*Eye to the Future’ Masterplan and Spatial Framework.* The Framework captures how and where Cromwell might accommodate growth over the next three decades, with specific references to the urban area, residential growth, activity centres and connectivity, landscape and open space, Cromwell’s outer settlements and industrial, recreation and community facilities.

It notes that within this timeframe Cromwell’s population is expected to double in size.

Aspirations within the Vision include:

- An attractive, vibrant and thriving heart for Cromwell
- Accommodating growth that delivers Cromwell’s landscapes and visual amenity values
- Enhancing how Cromwell functions
- Housing is affordable and available, and
- A thriving and competitive local economy, supported by available resources.

A series of key moves has informed initial precinct planning and records that Council-led Plan Changes and/or District Plan Review would primarily implement the Spatial Plan. This process has successfully commenced with Plan Changes 18 and 19 (either complete or well advanced) and the Cromwell Memorial Hall and Events Centre under construction.

The aspirations are consistent with the community outcomes contained within the CODC’s (draft) Mission Statement. Further, they are specific to the Cromwell context, and as such are directly relevant to the current and future residents of the Cromwell Ward – the ‘community’.

It should be recognised that the current master planning documents are inevitably, and almost by definition, a product of the community vision as expressed at a particular point in time. Consultative visioning exercises of this nature should be carried out periodically, so that the community vision and the way it is integrated into subsequent council strategies, long term planning documents and the District Plan is reflective of the community aspirations of the current time. As such, the Investment Strategy needs to be established in a way that allows for the CCB to work with the latest and best information available, and to move forward wholly in step with the Cromwell community.

<u>Investment Principle</u>

To recognise our present community and its aspirations as currently captured in the Cromwell Masterplan, Vision and associated Spatial Plan. In addition, to represent our future community’s vision as it may be expressed in future community visioning and planning documents.

Defining community is important, as is building on the good work that has preceded the formulation of the investment strategy. This Investment Principle ties the two objectives together and provides a strong reference point for future decision making.

5. Decision Making

The CCB members were very clear that the Board values community input and were proud of the history of representing Cromwell residents. There was an ongoing commitment to engagement and consultation and to transparent and inclusive decision making. The Board is committed to seeking input on how the Endowment Land resource is best utilised to achieve community aspirations.

The questions posed around the CCB's approach to its responsibilities are summarised as:

- Have we been transparent?
- Have we been consistent?
- Have we engaged with the community?
- Is this what the community wants?

Building on cumulative work guards against 'one-off' decisions or short-term thinking and leads to decision making that is defensible and which will withstand scrutiny. There was further discussion around ensuring that decisions were based on quality advice, reliable information, and quantitative research where it was appropriate.

A relevant live and local example of evidence-based decision making is the Development Strategy currently being prepared to guide the development of the Bannockburn Road industrial extension (the PC18 area).

We have commissioned independent third-party research in order to understand current market conditions and assess the demand drivers. This includes developing a clear understanding of population and business growth, future industry expansion, the potential for new industrial activity, land availability and comparative cost, availability and characteristics of similar land in neighbouring markets (Alexandra, Queenstown and Wanaka).

To be clear, this foundation does not *remove* development risk. Risk is inherent whenever capital is used with the objective of achieving a financial return. Making decisions based on verifiable information is intended to *mitigate and reduce risk*, and provide a sound, informative and verifiable platform for investment decision making.

<u>Investment Principle</u>

Decisions are evidence based and transparent. They acknowledge the purpose of the Endowment Land and represent the aspirations of the community.

How decisions are made is in many ways as important as the decision itself. The process needs to have integrity, and the CCB needs to be able to own the decision and be comfortable pointing to the steps enroute to the decision being made.

Investment Outcomes

The Investment Principles provide the context and act as a touchstone for all decision making. The Investment Outcomes are more tangible and can be described as *'what we want to see as a result of (a particular) decision'*. The outcomes are derived from the principles. As a further means of grounding these in the wider organisational context we have also linked these back to the Community Outcomes articulated in the CODC Mission Statement.

It is intended that each subsequent decision considered by the CCB around a particular land holding will further refine these higher-level outcomes and develop and state its own site-specific outcomes.

1. Sustainable Growth

The CCB is clear on the opportunity that the Endowment Land presents for the Cromwell Ward. It also recognises the central role that it can play in best managing the land resource to achieve positive and enduring outcomes for the community.

In the Cromwell context, 'sustainable growth' refers to development that balances the need for economic growth, social well-being, and environmental preservation over the long term. Central Otago is a region known for its unique natural beauty, outdoor activities, orcharding and wine production. Sustainable growth would aim to ensure that these unique attributes are preserved while the town expands.

Accordingly, key aspects of sustainable growth will likely include considered urban planning, managing the impact of development on natural resources, and reducing carbon footprints. It also means providing support for the local economy through diversified commercial opportunity, provision of employment and promoting businesses that are economically viable in the long term. Sustainable growth is growth that benefits all residents by providing affordable housing, accessible public services, recreational spaces, and a good quality of life.

The Cromwell Masterplan emphasizes a coordinated approach to managing growth over the next 30 years. It focusses on the provision of residential zones, greenway preservation, and increased commercial and industrial opportunity. Cromwell has experienced exponential growth over the last two decades in particular. The CCB has expressed a clear desire to protect the town and surrounds against 'over-development' and to maintain and further enhance the attributes that makes Cromwell a desirable place to live.

There are a number of potential roles the CCB might play in either directly enabling growth (e.g. the development of Endowment Land) as well as facilitating third party involvement by providing the platform and opportunity for private sector investment (e.g. through provision of adequate infrastructure, in the right place and at the right time).

The specific themes that came out of the workshop were:

- Enable land for housing (including affordable housing)
- Enable land for commercial and industrial development
- Provide for current and future infrastructure – three waters and transportation (including walking and cycling)
- Ensure that all of these points were not at the expense of Cromwell as an attractive place to live.

We have sought to capture the CCB's intentions around sustainable growth in the following Outcome.

Outcome

The considered growth of Cromwell that provides for residential and commercial demand and which respects Cromwell's attributes and unique location.

Alignment with CODC Mission

Respect for the Environment.

2. Economic Resilience

The Cromwell Endowment Land presents the CCB with the opportunity to make strategic investment moves to achieve long-term economic stability for the Cromwell community.

This District's economic landscape is constantly evolving, and the last period has been a period of unprecedented growth. This has been reflected in resident population growth, increased visitor numbers, residential and commercial expansion, and significant investment in the industrial land resource in particular, by both CODC (Plan Change 18) and the private sector.

As noted previously the Council is in the unique position of being initiator, facilitator and enabler of future growth and has the capacity to manage growth, by directing (or alternatively constraining) where and how expansion and / or intensification occurs.

The specific themes that came out of the workshop were:

- Support for established industries (horticulture, viticulture and tourism were amongst those mentioned)
- Provide the opportunity for new commercial / industrial activities to establish
- Provision of land for / investment in critical infrastructure
- Ensure that housing availability does not constrain business growth
- Seek out opportunities to diversify and invest
- Recognise Cromwell's strategic geographical location and potential
- Make Cromwell an attractive place to do business.

Outcome:

Continued support for established industries and existing businesses and promotion of a diversified and resilient local economy.

Alignment with CODC Mission:

Increased Economic Prosperity and Robust Social Fabric.

3. Prudent Financial Management

The CCB is very aware of both the responsibilities and opportunities inherent in managing the Endowment Land resource. It was noted that as a Local Authority, the appetite for risk was (appropriately) low, and a defensible risk profile and demonstrable adequate return on investment were essential pre-cursors to investment decision making.

It was reiterated several times at the workshop, that ensuring best value for the community was front of mind at all times, and the role of Council as potential seller, developer, asset owner, landlord were all options that the CCB might consider.

Managing Council debt, both current and future, was mentioned a number of times, and specific reference was made to paying down current or committed debt on strategic assets (i.e. Memorial Hall).

Diversity within the future land portfolio was considered to be essential, with potential investment in different asset classes (land, buildings, community infrastructure with associated income) mooted. Similarly, future investment of funds outside of the Cromwell Ward (and potentially the District) was suggested. The opportunity to invest or develop assets to generate cashflow in the form of recurring revenue streams was a targeted outcome.

It was noted that the treasury fund is ultimately controlled by Council, and that final decisions on the use for funds derived from / associated with the Cromwell Endowment Land lies with the Council – which could override CCB decisions. This reinforced the absolute need for the CCB to adopt and execute a considered investment strategy that has integrity and is supported by sound investment decision making criteria.

Outcome:

The risk and benefits of all investment decisions are fully evaluated and understood and the Council manages a diverse property portfolio that minimises exposure by spreading risk.

Alignment with CODC Mission**:**

Increased Economic Prosperity and Robust Social Fabric.

4. A Healthy Community

Representing their constituents and managing assets to best promote community wellbeing was a clear theme from the CCB workshop. This is consistent with the sentiments contained in the *Eye to the Future Masterplan*. The following outcomes were specifically mentioned:

- Being proud of our town and protecting our environment

- Make Cromwell an attractive place to live and raise a family
- Preserve and enhance greenspace connections
- Avoid overdevelopment
- Reinvesting back into community
- Provide good quality public amenities
- Make positive, meaningful and tangible contributions to the community
- Walking and biking routes that are attractive to locals and which bring visitors to Cromwell
- Monitor growth for public transport to become viable.

There was a palpable sense of civic pride in the comments from CCB members, and a genuine desire expressed to make decisions that preserved and enhanced all of the attributes that makes Cromwell a desirable place to live and to visit.

Outcome:

To use the Endowment Land resource as a platform for reinvesting in meaningful social infrastructure that strengthens our community and enhances our local environment.

Alignment with CODC Mission**:**

Robust Social Fabric and Respect for the Environment.