



# CONSULTATION DOCUMENT



Have  
your  
say

## CREATING A COUNCIL CONTROLLED ORGANISATION (CCO) AS A MEANS OF BUILDING A NEW LIBRARY AS A JOINT VENTURE WITH DEVELOPMENT WEST COAST

### Submissions can be made:



**Online** at our consultation website  
[www.haveyoursay.greycdc.govt.nz](http://www.haveyoursay.greycdc.govt.nz)



**Mailed** to Grey District Council,  
PO Box 382, Greymouth 7840 or



**Emailed** to [info@greycdc.govt.nz](mailto:info@greycdc.govt.nz).

**All submissions will be copied and made available to the public.**

**Submissions close at 5pm on Tuesday 9 July 2024**

**Council consulted on the principle of establishing a new library in the 2021/2031 Long Term Plan (Key issue 2). Over the previous decade, the old Library service had, like most community libraries, evolved from a simple Library to a social hub.**

This current building proved to be too small. Investigations into increasing the floor area of the current Library showed it couldn't be expanded horizontally as there simply was not enough land area adjacent to make a meaningful change. It also could not be extended vertically as engineering advice indicated the foundations of the current building wouldn't sustain a second floor to the building.

In order to accommodate the evolving library service Council signaled its intention to build a new Library as outlined.

Development West Coast (DWC) approached Council with the option of erecting a building that would accommodate both a new Library and new offices for them. This coincided with financial commitments by two Government backed entities to also contribute to the cost of such a building. The option of providing retail space on the ground floor was mooted as a means of providing a return.

The contribution from DWC and the two external funders on a one-off basis represented a sizable monetary contribution and Council opted to bring the project forward. However, this would require a formal Joint Venture (JV) arrangement to be put in place. The most appropriate legal vehicle for the JV proved to be a Limited Liability Company (LLC).

The cost of a three-storey building proved prohibitive and DWC abandoned its plans to also be housed in the proposed building. In recognition of the planning and design work done and in order to facilitate the project to go ahead with the external funding, DWC offered to, on a JV basis, make a circa 25% contribution towards the cost of the building on the basis that it will enjoy 25% voting on the LLC and will share in any dividend forthcoming from the commercial leasing of the building. Given the fact that Council will enjoy more than 50% of the voting rights on the LLC, it makes it a Council Controlled Organization (CCO) for purposes of the Local Government Act 2004.

Council, having noted the financial and other implications involved with creating the commercial body to erect a building that will also house the new Library, came to the strong realization that providing the new Library not only aligns with but actively supports its Vision of A THRIVING, CONNECTED AND RESILIENT GREY DISTRICT and, resolved to continue with its Long Term Plan mandate to provide a new Library subject to:

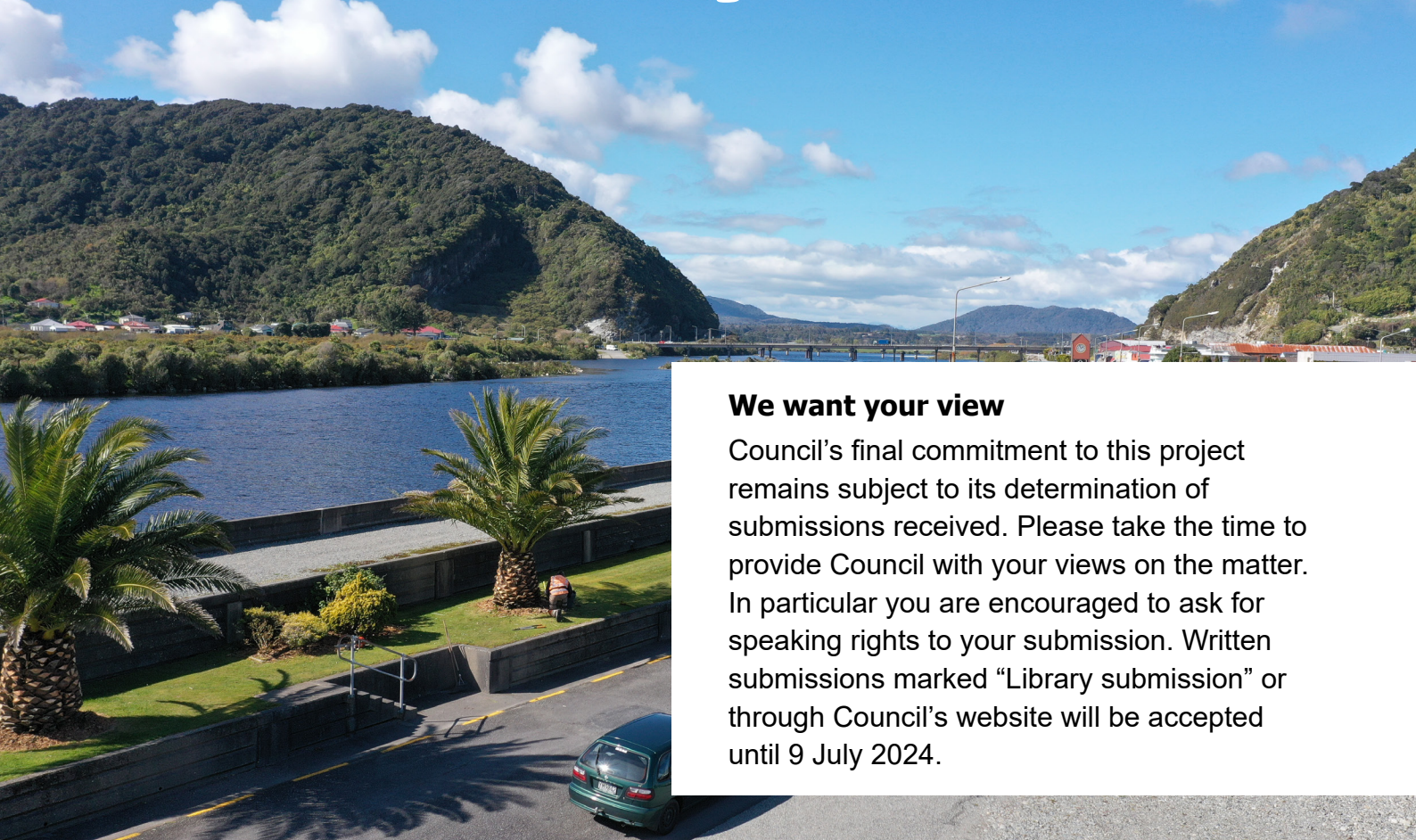
- The outcome of this consultation
- Council and DWC reaching agreement on the finer details of the arrangement.

In doing so, Council fully acknowledged that the timing for doing so now is not ideal, but it was swayed by the fact that it will have a 75% share in a Company that will not only provide a new Library/Social Hub but will also have the majority benefits from any dividends paid by the Company.

For clarity, the majority benefits from the dividends paid by the Company are on the basis that the library (as a tenant on the first floor) is paying a commercial arm's length rate, with the first floor rental return being recouped in full by the Council (by virtue of its ~ 75% share). Commercial returns from the ground floor are split equally (50/50) between Council and DWC. Dividends will be net of costs of the Company. A primary consideration was that the external funding reduced Council's contribution to well under the \$14.0 m signaled in the Long Term Plan. Such funding has to be taken up now, making it a one-off opportunity to provide a new Library.

This document purports to provide our community with the background to facilitate informed feedback on the creation of a CCO. Council, whist earlier having obtained a broad mandate for a Library at a cost of \$14.0 m, in terms of its total commitment to openness and transparency also insisted that the salient financial implications of the JV be outlined as part hereof.

# We want your view



## We want your view

Council's final commitment to this project remains subject to its determination of submissions received. Please take the time to provide Council with your views on the matter. In particular you are encouraged to ask for speaking rights to your submission. Written submissions marked "Library submission" or through Council's website will be accepted until 9 July 2024.

## The intention to create a CCO

As stated, the commercial nature of the agreement results in the need for the creation of a LLC. A simple definition of an LLC is a company that is a separate legal entity from its owners making the company rather than the owners responsible for its obligations. It is a common form of JV in New Zealand. The purpose of the CCO will be to:

- Construct a building on the north-western corner of Boundary Street, Greymouth (the ex R&N Traders site) comprising two floors with the top floor to be developed as a Library/Social hub comprising 1304.66 m<sup>2</sup> of floor space which will include a café, children's area, young adults area, break out rooms, meeting rooms.
- The bottom floor will provide for a total of 822.64 m<sup>2</sup> commercial rental space.
- Provision is also made for 10 on-site parking spaces.
- Manage the complex once built and occupied efficiently, productively and in close pursuance with the expectations of Council and DWC as partners/ shareholders.

Based on financial input we are looking at Council having 75% of the votes and DWC 25%. This makes it a CCO for purposes of the Local Government Act 2004 which has the following practical implications for Council:

A constitution has to be developed for the CCO. This is in process.

Council must appoint its quota of directors. Before this can be done, Council must develop a Policy outlining the objective and transparent process involved. This must include identification of skills, knowledge and experience required, the process itself and remuneration payable. There is clearly an expectation that directors will be position perfect. Also this is in process in consultation with DWC.

The CCO must develop a Statement of Intent for each year, outlining objectives and how it will achieve a sense of social responsibility i.e. community welfare. The has to pursue good commercial practice in all it does. As a shareholder Council can also insist on other documents like Asset Management Plans, Long Term Plans and Thematic Plans (i.e. adult literacy) and it can also develop other expectations by means of a Statement of Expectation.

Council must regularly monitor the performance of the CCO against the Constitution, Statement of Intent and Statement of Expectation.

In addition, the CCO must provide shareholders with half-yearly or, if required, quarterly reports on performance and operations. It also has to provide an Annual Report incorporating audited financials and the auditor's report.

The CCOs must be viable. Due diligence undertaken confirms this to be the case.

The above are only some of the more pertinent provisions in the Act. Residents can rest assured that the CCO and its successful operation will be on Council's radar continuously.

Council did consider alternative arrangements aimed at avoiding the need to create a CCO. This would impact on the funding commitment from DWC and, at this stage also the other two funders which made the provision of a Library too expensive. The current arrangement represents a "now or never" situation for Council. Having said that, it cannot be denied that having to comply with the requirements outlined above, is onerous.

The above is likely to create a 4 person Board of Directors which may (still to be negotiated with DWC) include:

- A person with a legal background
- A person with a commercial background
- A person with a Governance background
- A person with an Accounting background

## The salient costs of the Library.

Council expects its financial input into the new Library to not exceed \$11.0 m. This is lower than the \$14 m signaled in the Long Term Plan. This amount excludes wider outside beautification for the proposed building and the provision of meaningful additional parking close by. It also excludes financial provision to extend Library open hours beyond what is currently in place. Council deems such "extras" as being important and will actively seek external funding for it. Such additional work will have the further benefit that it will unlock the historical precinct of Greymouth for development especially once the cranes are replaced.

Council intends loan funding its input over a period of 40 years. This reinforces the principle that it is an intergenerational project that will serve future communities and beyond. The negative of this is that Council's debt as a result of the project will increase by the circa \$11.0 m. This debt will sit as a "block debt" on Council's books for the term of the loan and will be paid off at the end of the term by means of the annual depreciation on the building.

The signaled estimated rate increase for 2025/6 of 10% p.a. will increase by a further 2.2% to an estimated 12.2% p.a.



## SUBMISSION FORM

### Your Details

Name	
Organisation (if submitting on behalf)	
Which suburb/area do you live in?	

**Would you like to speak in support of your submission, at a Council Hearing with the Mayor and Councillors?**

This meeting will be scheduled for later in July. You may attend in person or online via Zoom.  Yes  No

**Please indicate your preference on the proposal below:**

- I agree with the creation of a CCO as vehicle for the construction of a new Library
- I do not agree with the creation of a CCO as vehicle for the construction of a new Library.

**Do you have any comments or general feedback on the proposal for the development of a CCO?**

**We will be starting work on our Long Term Plan (LTP) 2025-34 soon.**

Is there anything you'd like us to consider?

*If you're submitting hard copy, please attach additional pages as required.*

**You can get your submission to us in the following ways:**

<b>Post</b>	<b>Drop off to one of our locations</b>
Library CCO Submissions Grey District Council PO Box 382, Greymouth 7840	Grey District Council   105 Tainui St Westland Recreation Centre   83 High St
<b>Email</b> info@greydc.govt.nz	Grey District Library   18 Albert St