

**QLDC Council
6 October 2016**

Report for Agenda Item: 6

Department: Finance & Regulatory

Guarantee for Queenstown Lakes Community Housing Trust

Purpose

The purpose of this report is to seek Council approval of a new Guarantee in favour of the Queenstown Lakes Community Housing Trust (QLCHT).

Recommendation

That Council:

1. **Note** the contents of this report; and
2. **Approve** the Council entering into a new deed of Guarantee in favour of the Queenstown Lakes Community Housing Trust (or its nominee) for an amount of \$2m in relation to its Rental Property 5 year loan, provided that the Trust indemnifies Council against all liabilities arising out of the discharge of its obligations under the Guarantee.

Prepared by:



Stewart Burns
Acting Chief Executive

26/09/2016

Background

- 1 Council has entered into a Memorandum of Understanding (MOU) with the QLCHT which outlines how the Council will support the QLCHT in its activities. A copy of the most recent MOU is attached as Attachment A.
- 2 Section 2 of the MOU highlights three areas where Council may provide specific assistance:
 - a. To contribute operational funding;
 - b. To be guarantor for the Trust where necessary;

- c. To support development proposals for the use of Council land where it can.
- 3 Council has previously provided a number of guarantees; the latest in relation to the Starter Loan Programme in 2011 for a maximum of \$2m. The funding for this initiative has come from the Central Lakes Trust (CLT).
- 4 Due to the prolonged period of very low interest rates, QCHLT wishes to redirect the remaining CLT funding (\$4m) from the Starter Loan Programme to the Rental Property 5 Year loan.
- 5 QCHLT has requested that Council provide a new guarantee to help secure this new loan related to the 11 Shotover Country rentals. The value of these properties is estimated at \$7.5m. CLT has requested that the Council guarantee remains at \$2m.
- 6 A letter of request from QLCHT is attached as Attachment B. Please note that QLCHT will cover all the legal costs associated with the cancellation of the existing deeds of Guarantee and Indemnity as well as the formation of the new agreements.

7 Options

- 8 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
- 9 Option 1 – Agree to the new Guarantee and Indemnity.

Advantages:

- 10 Agreement to the proposal will allow the QLCHT to uplift \$4m of funding from CLT to support their Shotover Country Rental scheme.
- 11 Agreement to the proposal is consistent with the outcomes described in the MOU, whereby Council supports the activities of QLCHT.

Disadvantages:

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

- 13 Option 2 – Do not agree to the new Guarantee and Indemnity

Advantages:

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

Disadvantages:

- 15 Failure to agree to the proposal is inconsistent with the outcomes described in the MOU, and Council will be criticised for not supporting the activities of QLCHT.

- 16 Failure to agree to the proposal may prevent QLCHT from uplifting \$4m of funding from CLT to support their Shotover Country Rental scheme.
- 17 The report recommends that the Council agree to the proposal to enter into the new Guarantee and Indemnity with QLCHT.

Significance and Engagement

- 18 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.

Risk

- 19 This matter relates to the operational risk SR1 Current and future development needs of the community, as documented in the Council's risk register. The risk is classed as moderate. 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.
- 20 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

- 21 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 Policies, Strategies and Bylaws

- 22 The following Council policies, strategies and bylaws were considered:
- Memorandum of Understanding (QLDC/QLCHT)
 - HOPE Strategy
- 23 The recommended option is consistent with the principles set out in the MOU and the HOPE Strategy.

Local Government Act 2002 Purpose Provisions

- 24 The recommended option:
- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring that the activities of QLCHT are supported;
 - Can be implemented through current funding under the 10-Year Plan and Annual Plan;
 - Is consistent with the Council's plans and policies; and

- Would not alter significantly 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

- A Memorandum of Understanding (QLDC/QLCHT)
- B Letter of Request from QLCHT
- C Existing Deed of Guarantee and Indemnity (2011)
- D Existing Deed of Indemnity (2011)