KAIKŌURA DISTRICT COUNCIL

STATEMENT OF PROPOSAL

Proposed Wakatu Quay Joint Venture

This Statement of Proposal is prepared in accordance with the decision-making and consultation requirements of the Local Government Act 2002 ("LGA"), including sections 76–83.

1. Introduction

Kaikōura District Council ("Council") proposes to enter into a joint venture arrangement for the future development of Wakatu Quay, which would include transferring the Wakatu Quay land into a jointly owned company structure. The proposed transfer of the land into this joint venture entity (with appropriate legal protections), for the purpose of enabling development, is the central matter for consultation.

Council recognises that decisions regarding the ownership structure of waterfront land are likely to generate strong community interest. The purpose of this consultation is to seek clear public feedback before any final decision is made on any transfer of land.

2. Background

Wakatu Quay is a Council freehold owned waterfront site (not a reserve) located at the northern end of Kaikōura township. The site occupies a prominent position within the district and has long been identified as holding strategic economic and cultural potential.

Despite earlier master planning and partial investment, much of the site remains underutilised. At the same time, Kaikōura's economy remains highly seasonal, with strong summer visitation and a marked winter downturn. Council operates within constrained financial conditions and has limited capacity to independently fund large-scale capital development. Council considers that Wakatu Quay represents an opportunity to support long-term economic resilience, year-round activity, and cultural partnership.

Council also recognises that Wakatu Quay is an asset highly regarded by the community. Any decision regarding its ownership structure must balance economic opportunity with stewardship responsibilities and long-term public interest.

3. The Proposal

Council proposes to establish a new independent company (referred to in this document as "NewCo") with three founding shareholders, each initially holding an equal one-third interest:

- Kaikōura District Council
- Te Rūnanga o Kaikōura (Ngāti Kurī)
- A private development partner

The purpose of NewCo would be to raise capital, undertake planning and construction, and own and operate agreed facilities at Wakatu Quay. To enable this structure, Council would transfer the Wakatu Quay land (Lots 1-3 DP 5303) into the NewCo structure for the duration of the project. This proposed land transfer is the central issue of this consultation.

An indicative development vision for the site includes the potential establishment of a hot-pools precinct, high-quality accommodation and associated hospitality offerings, as well as health and wellbeing facilities such as spa and therapeutic services. The concept also anticipates a cultural centre and associated experiences developed in partnership with Te Rūnanga o Kaikōura, together with a promenade and enhanced public realm that would enable events, pop-up activities, and wider activation of the waterfront area.

The land would not be sold outright to a private party. The proposed transfer is a structural mechanism to enable joint ownership within a controlled company framework, rather than a sale to a private party. Transferring the land is additionally, a mechanism for Council to provide ‘funding’ to the proposed structure and thereby ensure a 1/3 partnership share. Council would remain a shareholder and governance representation would be included. Legal mechanisms would be included to ensure that if the company were wound up or liquidated, control of the land reverts to Council (this will be worked through subject to the outcome of this consultation).

Final legal structuring will determine how the land is transferred, what restrictions apply to encumbrances, ensuring public access right of ways to the wharf, and what safeguards apply to changes in shareholding. These protections would be embedded in formal legal agreements, for example by including a Shareholders’ Agreement and company Constitution.

No transfer of land will occur unless Council resolves to proceed following this consultation. Any Council approval at this time does not commit Council to proceed as further due diligence will need to be conducted as expanded on below and potentially further community consultations may be required.

4. Key Safeguards Proposed

If Council proceeds with the joint venture following consultation and completion of due diligence, governance and legal documentation would include safeguards intended to protect Council’s interests and the long-term stewardship of the land.
These are expected to include:

- Council ownership in NewCo
- Council appoints a director to the Board
- An independent director is included as Chair of the board.
- Clearly defined “reserved matters” requiring shareholder approval
- No encumbrance or disposal of land without shareholder approval
- Restrictions on share transfers to prevent unintended changes of control
- Ring-fencing of liabilities within the company structure
- Legal mechanisms requiring reversion of land control to Council in the event of

liquidation or wind-up
• Defined limits on borrowing and capital commitments

The detailed governance framework, including voting thresholds, dispute resolution mechanisms, and protection against unilateral decision-making by any single shareholder group, will be finalised as part of commercial, legal and financial due diligence.

Any final joint venture documentation, including the Shareholders' Agreement and company Constitution, would require formal Council approval before any land transfer occurs.

5. Reasons for the Proposal

Council is considering this proposal for the following reasons:

- Wakatu Quay has significant unrealised strategic potential and presents a strong opportunity for further development and activation.
- The appropriate development of Wakatu Quay has the potential to create wider benefits to Kaikōura.
- A joint venture structure may enable access to private capital and commercial expertise that Council alone cannot reasonably provide.
- Financial risk would be shared across partners rather than borne solely by ratepayers.
- The structure creates the potential for long-term revenue generation and economic diversification for the community.
- Council is keen to explore alternative funding mechanisms for revenue generation other than reliance on rates and debt.
- The joint venture will promote Council-Iwi partnership, which when working with the private sector, particularly a private developer with established and vested interests in Kaikōura, will advance the interests of the whole community.

In essence, Council considers that a joint venture model may enable higher-quality development outcomes and greater economic resilience than a standard lease arrangement, while still maintaining public oversight and partnership with iwi.

6. Options Considered

In accordance with sections 76–81 of the LGA, Council has considered reasonably practicable options.

Option 1: Status Quo (Retain land, no development)

Council would retain ownership and undertake no further development beyond current use.

Advantages:

- No governance restructuring

- No development risk

Disadvantages:

- Site remains underutilised
- No economic uplift
- Ongoing opportunity cost
- Ongoing cost of maintenance borne by ratepayer

Option 2: Lease Model

Council would retain freehold ownership and lease the site to a private developer.

Advantages:

- Land remains directly owned by Council (although a long-term lease effectively negates this)
- Lower structural complexity

Disadvantages:

- Limited returns from day one not just long term.
- Limited ability to raise substantial capital
- Reduced shared governance
- Limited participation in long-term returns
- Development scale or quality may be constrained
- Need to secure a tenancy agreement
- Long term lease option dilutes Council control as indicated above

Option 3: Council-Funded Development

Council would retain ownership and directly fund development.

Advantages:

- Full Council control

Disadvantages:

- Significant Council borrowing required
- Higher financial risk exposure
- Risk borne entirely by ratepayers
- Requires operational and commercial expertise – not Council core business
- Likely to place stress on service delivery with future legislative limits on rates

Option 4: Joint Venture (Proposed Option)

Council enters into a joint venture requiring transfer of land into a jointly owned company.

Advantages:

- Shared financial risk

- Access to private capital
- Shared governance
- Potential for higher quality development
- Opportunity for long-term revenue and mitigation against rate rises
- In time, it will provide for great year-round economic activity and visitor attraction

Disadvantages:

- Land transferred into company structure
- Governance complexity
- Reduced direct control compared to sole ownership
- Community concern regarding change in ownership structure

Council considers Option 4 best balances opportunity and risk, subject to appropriate safeguards.

7. Financial Implications

The proposal involves Council contributing the Wakatu Quay land into the joint venture structure as equity (part of KDC funding contribution). Final financial arrangements have not yet been determined and would be subject to further negotiation and Council approval. No final borrowing decisions are included in this proposal.

The company would be structured as a ring-fenced entity, meaning liabilities sit within the company rather than directly with Council. Council's financial exposure would be defined and approved before any binding commitment.

Revenue streams may include lease income and profit distribution. However, these outcomes are not guaranteed.

8. Governance Framework

NewCo would be governed by a Board with full composition still to be determined depending on the outcome of this consultation, but it is reasonable to expect the composition comprising one representative from each founding shareholder and an independent director as board Chair.

Any governance documentation would need to define reserved matters requiring shareholder approval, including:

- Changes to shareholding
- Major financial commitments
- Encumbrances over land
- Fundamental changes to the company's purpose

The governance model would need to balance commercial independence with public accountability, cultural partnership, and long-term stewardship.

9. Significance Assessment

Wakatu Quay is not identified as a strategic asset in the current Long-Term Plan. Council has considered section 97 of the *Local Government Act 2002* and confirms that the mandatory requirements relating to the transfer of strategic assets do not automatically apply to this proposal.

However, in accordance with sections 76–82 of the *Local Government Act 2002* and Council's Significance and Engagement Policy, Council has assessed the proposal having regard to its likely impact, the degree of change proposed to the current ownership structure, and the level of public interest it may generate. While not a "strategic asset" for the purposes of section 97, the proposed transfer of Wakatu Quay land into a joint venture structure represents a material change to the ownership and governance arrangements for a Council-owned waterfront property. Council considers that this warrants a high level of community engagement.

Accordingly, Council has resolved to undertake consultation using the Special Consultative Procedure under section 83 of the *Local Government Act 2002* to ensure transparent decision-making and to provide the community with a clear opportunity to be heard before any final decision is made.

10. What This Proposal Does Not Decide

This proposal does not determine:

- Final architectural design
- Building heights, detailed site layout or any other statutory process (e.g. *Resource Management Act 1991* or *Building Act 2004* or any derivative of either)
- Specific commercial tenants, if applicable
- Detailed financial modelling
- Construction or completion timelines

Any physical development would remain subject to statutory planning and regulatory processes. This consultation does not approve the final joint venture documentation, governance thresholds, commercial terms, or development design. These matters will be subject to further due diligence and a subsequent formal Council decision.

11. Consultation Process

This proposal is being consulted on in accordance with section 83 of the *Local Government Act 2002*.

Submissions are invited from the public from 2 March until 4pm 2 April 2026. Submitters may request to be heard with the hearing set to take place on 15 April 2026

Council will consider all submissions before making a final decision.

No transfer of land will occur without a formal Council resolution following this consultation process.