

**MINUTE EXTRACT FROM THE NON-PUBLIC MINUTES OF THE COUNCIL MEETING HELD ON TUESDAY
26 SEPTEMBER 2017**

**C4 CIVIC FINANCIAL SERVICES LIMITED - SPECIAL MEETING OF
SHAREHOLDERS**

A letter from Finance noted that the Dunedin City Council was a shareholder in Civic Financial Services Limited (4.2%).

Civic Financial Services Limited (the company) had given notice of a special meeting of Shareholders on Thursday 5 October 2017 to consider the following resolution:

"To approve the Directors using their best endeavours to achieve a satisfactory price for the sale of Civic Assurance House through the use of one or more professional real estate firms. It will be the Board's decision as to what constitutes a satisfactory sales price.

That the Directors of the Company are authorised to finalise the sale, and the terms of conditions of the sale (acting in their view in the best interests of the Company) and to enter into and sign all documents and to take any and all other actions that may deem necessary or appropriate to effectuate the purposes of this resolution."

If a successful sale was concluded, the company would distribute the net proceeds to shareholders in the form of a special dividend.

The report sought guidance from Council with regards the resolution and if supported seeks approval to having the voting proxy form completed and signed by Council 'in favour' of the resolution.

Moved (Cr David Benson-Pope/Cr Rachel Elder):

That the Council:

- a) **Agrees** to vote in favour of the shareholder resolution authorising the Directors of Civic Financial Services Limited to use best endeavours to achieve a satisfactory price for the sale of Civic Assurance House.
- b) **Authorise** the signing of the shareholder voting proxy form to affect the same.

Motion carried (CNL/2017/183)

CIVIC FINANCIAL SERVICES LIMITED - SPECIAL MEETING OF SHAREHOLDERS

Department: Finance

REASONS FOR CONFIDENTIALITY

Grounds:	S48(1)(a) - The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Reason:	S7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
In particular:	This report is confidential to protect the position of the company with respect to negotiations for a proposed property sale.

EXECUTIVE SUMMARY

- 1 The Dunedin City Council is a shareholder in Civic Financial Services Limited (4.2%).
- 2 Civic Financial Services Limited (the company) has given notice of a special meeting of Shareholders on Thursday 5 October 2017 to consider the following resolution:

"To approve the Directors using their best endeavours to achieve a satisfactory price for the sale of Civic Assurance House through the use of one or more professional real estate firms. It will be the Board's decision as to what constitutes a satisfactory sales price.

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- 3 If a successful sale is concluded, the company will distribute the net proceeds to shareholders in the form of a special dividend.
- 4 This report seeks guidance from Council with regards the resolution and if supported seeks approval to having the voting proxy form completed and signed by Council 'in favour' of the resolution.

RECOMMENDATIONS

That the Council:

- a) **Agrees** to vote in favour of the shareholder resolution authorising the Directors of Civic Financial Services Limited to use best endeavours to achieve a satisfactory price for the sale of Civic Assurance House.
- b) **Authorise** the signing of the shareholder voting proxy form to affect the same.

BACKGROUND

- 5 Civic Financial Services Limited owns and partly occupies Civic Assurance House at 114-118 Lambton Quay, Wellington.
- 6 Previously the building was occupied by the company and a number of local body entities. This has recently changed and the building is currently occupied by the company, and SOLGM along with a number of consultants, legal service providers, retail outlets, eateries and charitable organisations.
- 7 In the 2017 Statement of intent the company indicated that it would ask shareholders whether they wished to retain ownership of Civic Assurance House or whether they wished to sell the building. If a successful sale could be concluded the intention was to distribute the net proceeds to shareholders.

DISCUSSION

- 8 The building has a current valuation of between \$7.5million and \$8.1 million. The DCC share of any net proceeds (after deducting transaction costs) approximates to \$320,256.88 plus imputation credits to fully offset any associated taxation liability.
- 9 The building currently has an 85% occupancy rate with a weighted average lease term of two years.
- 10 The building has an earthquake rating of 50% of NBS, which makes it difficult to obtain full occupancy. Retention of the building would require the company to complete a programme of investment to increase the NBS rating.

OPTIONS

Option One – Recommended Option

- 11 To confirm agreement to sell Civic Assurance House if the directors of the company can achieve a satisfactory sale price.

Advantages

- Council will receive a cash distribution from the company circa. \$320k.

Disadvantages

- By selling the building with its current occupancy levels and NBS rating the proceeds will be less than if the building was brought up to standard and full occupancy was achieved.

Option Two – Status Quo

- 12 To vote against the proposed resolution and therefore requiring the company to retain ownership of Civic Assurance House.

Advantages

- The company will retain ownership of the building and associated income stream.
- Any future sale of the building may provide a greater return, particularly if the building is earthquake strengthened, tenancy occupancy increased to 100% and the average lease term extended.

Disadvantages

- Council will not receive a cash distribution from the company circa. \$320k.
- The company will be required to invest further funds in the building to increase the NBS rating.

NEXT STEPS

- 13 If Council wishes to vote in favour of the resolution, the shareholder voting proxy form will be completed and sent to the company prior to the due date of 4 October 2017 11:30am.

Signatories

Author:	Gavin Logie - Acting Chief Financial Officer
Authoriser:	Sue Bidrose - Chief Executive Officer

Attachments

	Title	Page
A	Notice of Meeting	

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This decision enables democratic local decision making and action by, and on behalf of communities.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	☐	☐	☐
Economic Development Strategy	☐	☐	☐
Environment Strategy	☐	☐	☐
Arts and Culture Strategy	☐	☐	☐
3 Waters Strategy	☐	☐	☐
Spatial Plan	☐	☐	☐
Integrated Transport Strategy	☐	☐	☐
Parks and Recreation Strategy	☐	☐	☐
Other strategic projects/policies/plans	☐	☐	☐

This decision has no direct impact on the strategic framework, however the income stream from the proposed sale will be available to contribute to all of the strategies.

Māori Impact Statement

There are no known impacts for tangata whenua.

Sustainability

There are no known implications for sustainability.

LTP / Annual Plan / Financial Strategy / Infrastructure Strategy

The Council will receive its share of the net proceeds through a fully imputed cash dividend.

Financial considerations

The Council will receive its share of the net proceeds through a fully imputed cash dividend.

Significance

This decision is considered to have low significance with regard to Council's Significance and Engagement Policy

Engagement – external

The shareholder resolution has been prepared by the directors of Civic Financial Services Limited and aligns with the company's statement of intent.

Engagement - internal

No internal engagement has been required.

Risks: Legal / Health and Safety etc.

There are no known risks.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

There are no known implications for Community Boards.