

QLDC Council
10 December 2020

Report for Agenda Item | Rīpoata moto e Rāraki take : 1

Department: Finance, Legal & Regulatory

Title | Taitara Request for Council Guarantee in Favour of the Queenstown Lakes Community Housing Trust

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

The purpose of this report is to respond to the request from the Queenstown Lakes Community Housing Trust (QLCHT), asking that the Council extend an existing guarantee of up to \$2,000,000 for the purpose of supporting the Trust's extension of the loan from Central Lakes Trust for a further five years.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report; and
2. **Approve** the Council extending the existing deed of Guarantee in favour of the Queenstown Lakes Community Housing Trust (or its nominee) for an amount of \$2.0m to secure the extension of the loan from Central Lakes Trust for a further five years, provided that the Trust indemnifies Council against all liabilities arising out of the discharge of its obligations under the Guarantee.

Prepared by:



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26/11/2020

Reviewed and Authorised by:



Mike Theelen
Chief Executive
26/11/2020

CONTEXT | HORPOAKI

- 1 Council has entered into a Relationship Framework Agreement (RFA) with the QLCHT which among other things, outlines how the Council will support the QLCHT in its activities.
- 2 Within this agreement clause 3.10 notes that “QLDC support may, from time to time, be necessary to support the Trust’s activities, including by way of written assurances or security in the form of guarantees of QLCHT’s performance of obligations it incurs to third parties. QLDC may continue to provide performance guarantees on terms and conditions agreed in relation to any request by QLCHT that QLDC do so.”
- 3 In November 2016, Council agreed to enter into a guarantee in favour of the QLCHT for an amount of \$2m in relation to its Rental Property 5 year loan. The loan was provided by the Central Lakes Trust (CLT). The resolution was as follows:

Recommendation

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.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 4 QCHLT is in the process of extending the term of the CLT loan for another 5 years.
- 5 QCHLT has requested that Council provide an extension to the existing guarantee related to the CLT loan (Attachment B). CLT has requested that the Council guarantee remains at \$2m.
- 6 A letter of request from QLCHT is attached as Attachment A. Please note that QLCHT will cover all the legal costs associated with the amendment of the existing deeds of Guarantee and Indemnity.

Options:

- 7 Option 1 Agree to extend the existing Guarantee and Indemnity

Advantages:

- Agreement to the proposal will allow the QLCHT to extend the funding from CLT to support their Shotover Country Rental scheme.
- Agreement to the proposal is consistent with the outcomes described in the RFA, whereby Council supports the activities of QLCHT.

Disadvantages:

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

8 Option 2 Do not agree to extend the existing Guarantee and Indemnity

Advantages:

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

Disadvantages:

- Failure to agree to the proposal is inconsistent with the outcomes described in the RFA, and Council will be criticised for not supporting the activities of QLCHT.
- Failure to agree to the proposal may prevent QLCHT from extending \$4m of funding from CLT to support their Shotover Country Rental scheme

9 This report recommends Option 1.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 10 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 AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 11 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.
- 12 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 | NGĀ RITENGA Ā-PŪTEA

- 13 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 EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

- 14 The following Council policies, strategies and bylaws were considered:

- 15 2018-28 Ten Year Plan,

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

16 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.
- 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 | NGĀ TĀPIRIHANGA

A	Copy of letter from QLCHT requesting support
B	Copy of existing 2016 Guarantee
C	QLCHT Relationship Framework Agreement