

Decision released from confidential session

Recommendation from (agenda report)	Date of meeting	Recommendation to (decision-making meeting)	Date of meeting
		Council	10/12/2020

Report Title and number

Strategic Land Funding Allocation (Report R22521)

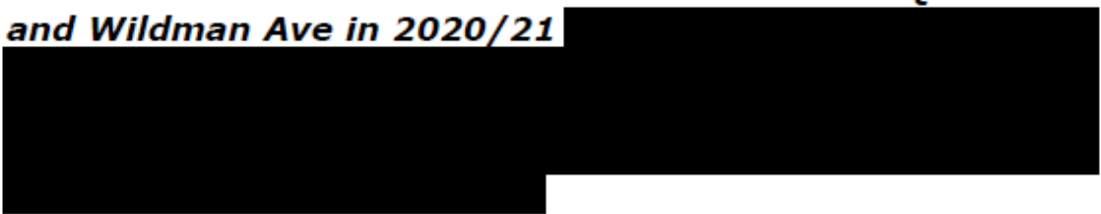
Documents released

The decision (redacted), report R22521 (redacted) and attachment (A2538236)

Decision

Resolved

That the Council

- 1. Receives the report Strategic land funding allocation (R22521) and its attachment (A2538236); and***
- 2. Approves unbudgeted funding of a \$1.5 million capital grant contribution to support the development of Cawthron Institute's new laboratories on a site between QEII Drive and Wildman Ave in 2020/21***

- 3. Delegates to the Chief Executive the authority to enter into a capital grant funding agreement with the Cawthron Institute.***
- 4. Agrees that the decision to allocate \$1.5 million funding is of moderate significance, having regard to Council's Significance and Engagement Policy, and as such there is no requirement to carry out consultation;***

5. **Agrees that** 

and given the urgency and commercial sensitivities surrounding the decision to be made, it is not realistically possible to carry out further community engagement in advance of this decision being made by Council;

6. **Instructs officers to report back with more information on a concept for the Science and Technology Precinct, including a recommendation on funding of costs of up to \$3.5 million for consideration as part of the Long Term Plan 2021-31 process**

7. **Agrees that Report (R22521), Attachments (A2538236) and the decision remain confidential at this time.**

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Item 1: Strategic land funding allocation



Council

10 December 2020

REPORT R22521

Strategic land funding allocation

1. Purpose of Report

- 1.1 To approve a \$1.5 million contribution from Nelson City Council to support the development of Cawthron Institute's new laboratories on a site between QEII Drive and Wildman Ave (refer to Attachment One).

2. Summary

- 2.1 The Cawthron Institute is considering a range of options for relocating its offices and laboratories. [REDACTED]

2.2 [REDACTED]

- 2.3 Discussions between Council (Mayor and Chief Executive), Cawthron Institute and Port Nelson have also addressed whether Council could consider providing funding to support the development of a Science and Technology Precinct at Port Nelson adjoining the proposed site of the Cawthron Institute laboratory. Further investigation of this option is proposed to be developed through the 2021-31 Long Term Plan process.

- 2.4 Cawthron representatives will be available at the meeting to speak to the detail of these matters.

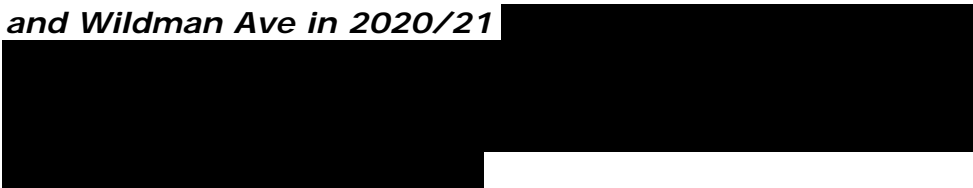
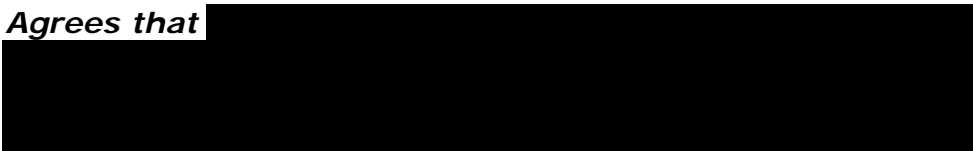
- 2.5 The Cawthron Institute and Port Nelson are both considering this sale and purchase at their Board meetings on the 14th and 15th of December. To inform these discussions they require confirmation of Council's level (if any) of support by the 11th of December.

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3. Recommendation

That the Council

1. ***Receives the report Strategic land funding allocation (R22521) and its attachment (A2538236); and***
2. ***Approves unbudgeted funding of a \$1.5 million capital grant contribution to support the development of Cawthron Institute's new laboratories on a site between QEII Drive and Wildman Ave in 2020/21***

3. ***Delegates to the Chief Executive the authority to enter into a capital grant funding agreement with the Cawthron Institute.***
4. ***Agrees that the decision to allocate \$1.5 million funding is of moderate significance, having regard to Council's Significance and Engagement Policy, and as such there is no requirement to carry out consultation;***
5. ***Agrees that***

and given the urgency and commercial sensitivities surrounding the decision to be made, it is not realistically possible to carry out further community engagement in advance of this decision being made by Council;
6. ***Instructs officers to report back with more information on a concept for the Science and Technology Precinct, including a recommendation on funding of costs of up to \$3.5 million for consideration as part of the Long Term Plan 2021-31 process***
7. ***Agrees that Report (R22521), Attachments (A2538236) and the decision remain confidential at this time.***

4. Exclusion of the Public

- 4.1 This report has been placed in the public excluded part of the agenda in accordance with section 48(1)(a) and section 7 of the Local Government Official Information and Meetings Act 1987. The reason for withholding information in this report under this Act is to:

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- Section 7(2)(b)(ii) 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
- Section 7(2)(i) To enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

5. Background

- 5.1 The Cawthron Institute is a significant organisation for Nelson's economy as New Zealand's leading independent science institution. As an employer of 280 scientists, laboratory technicians, researchers and specialist staff, it contributes towards Nelson's productivity through employing highly skilled staff in high wage positions. A 2015 NZIER Report found that, at that time, the Cawthron Institute represented up to 10 percent of the Nelson business services sector. The Cawthron Institute is one of Nelson's few large scale employers. Over 90 percent of Cawthron's research services contribute towards exports from Nelson to the rest of the country or offshore; bringing employment and investment to the Nelson region.
- 5.2 In the five years since the NZIER report, company revenue has almost doubled from \$23m to \$45m, annual salaries have grown from \$11m to \$19.5m, and staff numbers have increased from 200 to the current 280. Cawthron brings talented people to the Nelson region. It also creates indirect benefits through operating expenditure, and employing local small businesses to provide services such as building and machinery maintenance. The Cawthron Institute also sponsors or hosts four to six science conferences in Nelson per year with 50-350 attendees over several days.
- 5.3 The Cawthron Institute was established in 1921 as a charitable trust through a significant endowment from Nelson philanthropist Thomas Cawthron. Thomas Cawthron made significant investment in the Nelson region including Nelson's Cathedral Steps; the Rocks Road chains; Cawthron Park; contributions towards a public hospital and nurses' home; and donations to the Nelson Institute (which used to run the Nelson library) and the Nelson School of Music. In addition to Cawthron's core science and learning institute, the Institute's Trust Board has responsibility for community and education initiatives such as the annual Cawthron Lecture and Science Fair as set out in the Institute's Act.
- 5.4 The Cawthron Institute provides a wide range of scientific services to regional councils, government departments, major industries, private companies and other research organisations in the area of sustainable development and the primary industries. The Cawthron Institute collaborates internationally and brings in overseas revenue. This is a small but growing part of its business model. It has particular specialist

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expertise in the areas of aquaculture research, marine and freshwater resource management, food safety and quality, algal technologies, biosecurity and analytical testing. The Cawthron Institute is regarded as a world leader in advancing aquaculture practices, including open-ocean, finfish research, breeding, and hatchery technology.

- 5.5 The “Oceans economy” is recognised as a key driver of Nelson’s economy, and is a priority focus area under both the Te Tauhihi Intergenerational Strategy and Project Kōkiri. Nelson has a competitive advantage in aquaculture due to its natural resource environment. There is a cluster of marine based firms operating in the region that has led to the creation of an “innovation ecosystem” that is adding value to the Nelson region in terms of research, education, exports and employment. These include the industry organisation Aquaculture New Zealand, Nelson Marlborough Institute of Technology, Kono Seafood, New Zealand King Salmon, SpatNZ, and the algae work of the Nelson Artificial Intelligence Centre. This has in part been facilitated through the development of the Cawthron Aquaculture Park in Glenduan that has brought some of these organisations together.
- 5.6 The government launched an Aquaculture Strategy in 2019 that looks to grow the sector to \$3 billion by 2035 (currently \$600 million per annum). Achieving this vision will require significant investment in research and technology. In light of COVID-19, and the associated downturn in the tourism sector, supporting the primary industries to provide high value exports for New Zealand has increased in importance. Industry growth will be based firstly from “maximising the value of existing farm space through a strong research, innovation and commercialisation system” and then “world-leading frameworks to enable sustainable open ocean and land-based farming”. The Cawthron Institute plays a key role within this sector by providing world leading research, technology and innovation to our marine based businesses in the region and nationwide. It is a member of the Nelson Tasman Innovation Neighbourhood, a group of businesses that have come together to tackle common business challenges and identify solutions.

Purchase of land for expansion

- 5.7 The Cawthron Institute needs to build new laboratories, including the National Algae Centre. The current site in Halifax Street and the Cawthron Aquaculture Park are not suitable for this purpose. A range of sites have been investigated and a decision on a final site is required by the end of this calendar year [REDACTED]. The Rigg Building that houses laboratories is an earthquake prone building and the Cawthron Institute has determined that it is not practical to strengthen this building.

5.8 [REDACTED]

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[REDACTED]

[REDACTED]

In addition Port Nelson Limited is now proposing to develop an adjoining site as a Science and Technology Precinct. This will include a set of offices that will be leased to the Cawthron Institute as well as other research and technology companies.

- 5.10 The Science and Technology Precinct would enhance the high value gateway site, Nelson's city to sea aspirations, and economic development opportunities consistent with A Smart Little City vision, the Nelson Regional Development Agency's economic development priorities, and the Te Taihu Intergenerational Strategy. Both Port Nelson Limited and Cawthron Institute are supportive of this broader concept.

Support requested from Nelson City Council

5.11 [REDACTED]

5.12 [REDACTED]

- 5.13 Discussions have also covered whether Council could consider providing support for development of a Science and Technology Precinct on the land in Port Nelson ownership. Offices would be leased to the Cawthron Institute and other research and technology companies. [REDACTED]

[REDACTED] Further investigation of this concept would be developed in order to consult through the 2021-31 Long Term Plan process.

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- 5.14 It should be noted that the Mayor is a member of the Cawthron Institute Trust Board (CITB) as a statutory appointment. The Mayor has advised the CITB Chair that given this matter is now the subject of a Nelson City Council decision she will not participate in the CITB meeting should the Port Nelson Limited site progress as the recommended site for laboratory development.
- 5.15 The Cawthron Institute and Port Nelson are both considering this sale and purchase at their Board meetings on the 14th and 15th of December. To inform these discussions they require notification of Council's level of support (if any) by the 11th of December.

6. Discussion

- 6.1 Given the importance of the Cawthron Institute to Nelson, it is proposed that Nelson City Council allocate \$1.5 million to support the Cawthron Institute to proceed with the Wildman Ave site for its laboratory. This amount would be a capital grant contribution towards [REDACTED]

- 6.2 An additional package of support could be offered to the Cawthron Institute to support its relocation to the Wildman Ave site to support their relocation. [REDACTED] his additional package of up to \$3.5 million would be considered within the Long Term Plan 2021-31 consultation process. This could include funding to offset or support:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- 6.3 [REDACTED] officers will report back more information on a concept for the Science and Technology Precinct and other associated support proposed, including a recommendation on funding for consideration as part of the Long Term Plan 2021-31.

- 6.4 It is likely that specific design will be required to address geotechnical issues on the site. Council has made its Trafalgar Centre geotechnical

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consultants available to provide any background information that may be relevant.

- 6.5 The site is zoned Industrial and is in the Port Industrial area. A preliminary assessment of the provisions of the Nelson Resource Management Plan means a resource consent is probably required for the building/activities on the site. Laboratories are likely to be a permitted activity, however offices not associated with an industrial activity may require a consent. Resource consent will therefore be required to enable offices to be located on the site.
- 6.6 Ground levels of the majority of the site generally range from 2.9m to 3.6m NZVD 2016. [REDACTED]
- 6.7 A preliminary assessment of the proposed scheme by Waka Kotahi suggests that adequate road reserve exists on SH6 (QEII Drive) and Wildman Avenue to service the network should this development proceed. Waka Kotahi have noted they will not approve direct access from and into the development onto SH6 (QE II Drive), but insofar that the proposal does not show this, there should not be an issue.
- 6.8 Waka Kotahi note that the developer will need to undertake a Traffic Impact Assessment Investigation (which is standard) to show what influence (if at all) traffic generated by the development would have on Wildman Avenue and Vickerman Street and propose any mitigation required. Cawthron do have a very strong and active work place travel plan that will assist in this matter.

Alignment with City Centre Spatial Plan

- 6.9 The new development parcel as well as the wider context of redevelopment opportunities in the nearby locale, provide the ability to achieve outcomes across all of the Six Key Moves as set out in the City Centre Programme Plan:
- 6.9.1 Destination Nelson – the gateway site provides a legible gateway node at State Highway 6 and Haven Road as well as investment linking the city centre to Port Nelson, Haven and Akersten Street/Marina precincts
- 6.9.2 Walkable Nelson – the precinct is located on existing and potential walk and cycle network linkages
- 6.9.3 Blue-Green Heart – the precinct is located at the confluence of publically accessible sea, river and green open space
- 6.9.4 Smart Development – anchored by a bio-tech focus, the precinct will be an visible exemplar of Nelson’s Intellectual Capital economy

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- 6.9.5 Liveable Centre – adjacent development opportunities foster residential and accommodation uses directly accessible to the City Centre
- 6.9.6 Clever Business – Investment in a local institution that provides research and innovation to solve global challenges
- 6.10 The creation of a Science and Technology Precinct within the Port Nelson area creates significant potential to attract and retain other high value companies to Nelson. With increased ability for people to work from anywhere, there has been increased interest from technology companies considering shifting to Nelson. There is already a cluster of technology companies operating in Nelson such as Shuttlerock, Datacom, and the Nelson Artificial Intelligence Institute that is forming a critical mass of both talent and capability in this area. Having additional organisations located in the Port Nelson area increases the connection between the city centre and waterfront; utilising the enhanced cycleways and footpaths along this avenue.
- 6.11 Given the importance of the Cawthron Institute to Nelson’s economy through employment and as a pivotal organisation in the oceans and science sectors, it is recommended that Council consider options available to support the relocation of the Cawthron Institute to a site located within Nelson City. This support will need to be signalled to the Cawthron Institute and Port Nelson ahead of their respective Board meetings.
- 6.12 Council needs to turn its mind to the significance of the decision to allocate this funding to a private sector project. The decision to approve allocation of this funding has a medium to low level of financial impact and will not have a major impact on Council debt or level of rates. The decision to approve or not approve funding is likely to have moderate impact on the community, [REDACTED]
- 6.13 An amount of \$1.5 million for a project of this nature is not considered by officers as requiring specific engagement. Given the concerns expressed by the community on the impact of COVID-19 on the local economy, most recently through the Long Term Plan pre-engagement, [REDACTED] The support will be debt funded, but not at a level that will have significant impact on debt and rates. Any additional significant funding allocation for the Science and Technology precinct development will be consulted on through the Long Term Plan 2021-31 process.

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7. Options

<p>Option 1: Approve the \$1.5 million allocation towards [REDACTED] and Support consultation through the Long Term Plan 2021-31 process on additional significant Council support up to \$3.5 million towards other associated costs required to support the relocation, and development of a Science and Technology Precinct</p>	
<p>Advantages</p>	<ul style="list-style-type: none"> • [REDACTED] thereby promoting the economic and social wellbeing of the community (given Cawthron is a significant employer in the region). • [REDACTED] • Provides opportunity for the development of a concept to support the Science and Technology Precinct through the Long Term Plan 2021-31 process.
<p>Risks and Disadvantages</p>	<ul style="list-style-type: none"> • Council funding of \$1.5 million not available for other priorities. • Potential for negative public perception regarding funding support for an external organisation. • [REDACTED] • [REDACTED]
<p>Option 2: Decline the allocation and other support to the Cawthron Institute</p>	
<p>Advantages</p>	<ul style="list-style-type: none"> • Limits Council's exposure to potentially negative perception regarding involvement in commercial decisions by external bodies. • Funding can be allocated to other Council priorities.

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Risks and Disadvantages	<ul style="list-style-type: none">• [REDACTED]• [REDACTED] a key employer of high value jobs in Nelson city relocating, which may lower Nelson's overall productivity (due to the high value nature of the work).• Potential loss of opportunity to do further work and consultation around the development of a Science and Technology Precinct in Nelson City.
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8. Next Steps

- 8.1 If approved, Council will notify the boards of Port Nelson and the Cawthron Institute of Council's intended support.

Author: Pat Dougherty, Chief Executive

Attachments

Attachment 1: A2538236 Site for potential development

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Important considerations for decision making

1. Fit with Purpose of Local Government

The proposal in this report supports the economic and social wellbeing of Nelson by acting to protect local jobs and the economy through retention of a key, and high value, employer in Nelson City.

2. Consistency with Community Outcomes and Council Policy

The Community Outcome that is supported by this report is:

“Our region is supported by an innovative and sustainable economy”

The Cawthron Institute is New Zealand’s oldest private research facility and is a unique organisation for Nelson providing leadership in the area of research, science, and technology.

3. Risk

There are several risks to Council considering this recommendation:

- [REDACTED]
which contributes to our overall productivity and economic output. The Cawthron Institute is a well-respected research institute whose work will provide an important component of the primary industry’s pathway towards a high value, sustainable, low-carbon future.
- [REDACTED]
- [REDACTED]

4. Financial impact

A contribution of \$1.5 million towards [REDACTED], funded through a 40 year loan, would add \$37,500 to the annual rates requirement.

5. Degree of significance and level of engagement

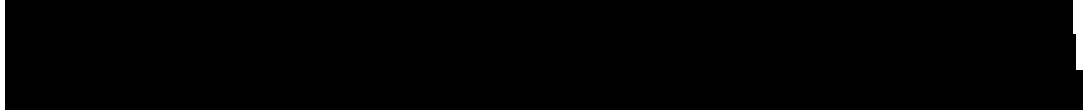
Making provision for the proposed funding in the Long Term Plan of \$1.5 million to support the retention of the Cawthron Institute in Nelson [REDACTED]

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Approval of further sums for the project (including options for development of a Science and Technology Precinct) would be subject to further engagement through the Long Term Plan process.



Given the urgency and commercial sensitivities surrounding the decision to be made, it is not realistically possible to carry out further community engagement in advance of this decision being made by Council.

6. Climate Impact

No climate impact has been identified as part of this report.

7. Inclusion of Māori in the decision making process

No engagement with Māori has been undertaken in preparing this report. Any required engagement with Māori arising from the consenting process will be managed within those systems.

8. Delegations

The \$1.5 million is not within existing Council budgets and therefore requires Council approval to be allocated under the 2021-31 Long Term Plan.

The proposal also falls within the delegations of both the Urban Development and Strategic Development and Properties sub-committees. Accordingly the report is being brought to Council as an "all of Council matter". The sub-committee chairs are support of this matter being considered by Council.

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