

Report PE 05.266
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File PK/11/01/08

Committee Policy, Finance and Strategy and Council
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Waitangirua Farm - update of progress made

1. Purpose

To obtain approval in principle to the purchase (subject to appropriate Government funding assistance) of the majority of Waitangirua Farm (the Farm) for addition to Belmont Regional Park (the Park).

2. Exclusion of the public

Grounds for the exclusion of the public under Section 48 (1) of the Local Government Official Information and Meetings Act of 1987 are:

That the public conduct of the whole or relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists (i.e. to preserve commercial confidentiality and to enable the Council to carry on negotiations) including commercial negotiations, without prejudice or disadvantage.

Interests protected:

- Greater Wellington Regional Council (GW),
- Porirua City Council (PCC) and
- Landcorp Farming Limited (LCFL).

All are parties to the sale and purchase and licence of parts of Waitangirua Farm.

3. Significance of decision

Council staff have considered carefully whether the matters in this report trigger the Significance Policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002. Our assessment is that on balance, they do not trigger those provisions.

Nevertheless, we consider that the Council, through this report, other Council reports (i.e. Reports PE 04.714, PE 05.34, and 05.175), and the background information relating to this matter, is in compliance with sections 76 to 79 of the Local Government Act 2002. Council has considered a variety of options (outlined in the reports and background documents) as well as considering

community views on the matter (most notably, but not entirely, through the 12,771 signature petition presented to Council from the Friends of Belmont Regional Park).

4. Background

Reports PE 04.714 (**Attachment 1**) and PE05.34 (**Attachment 2**) provide further background detail.

In March 2003, during a meeting between GW and LCFL officers, LCFL indicated that it was considering closing its operation on both Waitangirua and Whareroa farms.

Late in 2004 LCFL confirmed that they wished to dispose of Waitangirua Farm. The land was offered to the Office of Treaty Settlements (OTS) as it is LCFL practice to offer any land it intends to dispose of to OTS for the purpose of settling any Waitangi Treaty claims. LCFL has advised that it holds a clearance to sell the land from OTS.

LCFL was authorised by its Board of Directors to give GW the first right of refusal on the farm on a without prejudice basis. LCFL offer for GW to purchase the Farm was as follows:

- purchase price \$10,500,000 (Ten Million, Five Hundred Thousand dollars)
- the farm would be sold in one complete unit (all 1,243 ha non subdivided)
- the asking price was not negotiable
- a “claw back” provision was to be included in the sale agreement requiring GW to pay LCFL a portion of any revenue received as proceeds from any future wind farm development
- any sale would be subject to the provisions of Section 27b of the State Owned Enterprises Act (1986) which allows ownership of the land to be resumed by the Crown to satisfy Waitangi Tribunal claims. The owner has no say in any resumption, but is compensated with current market value for the land.

The offer was to remain valid for six months and was to be reviewed in April 2005. The Council rejected the LCFL offer, and authorised officers to initiate discussions with LCFL to explore options for purchasing or otherwise protecting the key areas of Waitangirua farm for park purposes.

From the outset, LCFL considered that the Farm had value in excess of its value as a working farm. Most of the perceived added value arose from the potential to subdivide the land for residential and rural/residential purposes. Consequently, LCFL prepared a “theoretical subdivision proposal” which divided the farm into smaller blocks. LCFL had valued the farm based on the value of each block.

5. Action taken

In the first instance, GW officers concentrated on identifying those parts of the Farm which had recreation and conservation values. These areas were our first priority for protection and/or acquisition. Report PE 05.34 provided a first cut at those priority areas which was endorsed by the Landcare Committee on 8 February 2005. Subsequent work provided more detail on which areas of the Farm were most important to Belmont Regional Park. **Attachment 3** shows those high value areas.

The areas of highest conservation value are blocks D and H. Blocks D and H have access points into the Park (Cannons Creek and Hill Road), some key track networks, as well as conservation covenants comprising areas of regenerating native forest.

Other important features of the Farm include the open space, landscape and recreational values which are associated with the main body of the farm land. If GW wishes to protect these values then we would need to retain the majority of the land as an economic working farm.

If farming were to cease on that land it would revert to weeds and thus lose much of its recreational and landscape value. Hence, our other high priority was to ensure that the residual farm would have sufficient infrastructure to operate as an effective unit so that the Council was not exposed to either high and ongoing land management costs or additional capital costs in building new farm infrastructure (e.g. woolsheds, stockyards etc). Council can retain a viable working farm (with its open space, landscape and recreational value) by obtaining Blocks J (grazing land) E (grazing land) and A (grazing land plus farm infrastructure).

The artificial boundaries created by LCFL's theoretical subdivision comprised a good fit with GW perception of what should and what need not be purchased for use of the Park. The main difference was that we adjusted the boundary of Block A to obtain the necessary farm infrastructure. This represents the most significant change from the priority areas endorsed by the Landcare Committee in February.

GW and LCFL each obtained professional valuation assessments of all the blocks making up Waitangirua Farm. LCFL obtained an overall assessment of \$10.411 million and GW an overall assessment of \$7.45 million (for the entire property).

For completeness, it should be noted that LCFL did not revalue the farm in April 2005 in recognition of the progress being made towards an outcome which is acceptable to the parties.

A series of meetings have been held to clarify and debate areas of difference in the valuations. PCC was also invited to the later meetings as it had expressed an interest in purchasing some blocks that GW had little interest in from the perspective of retaining the integrity of the Park (Blocks G, I and F).

6. The areas proposed to be purchased

In summary, GW concluded that it was desirable to acquire (with Crown assistance) blocks A, D, E, H and J:

- Block A - Waitangirua including the Farm infrastructure,
- Block D - Hill road including significant areas of conservation covenant,
- Block E – Belmont Road,
- Block H – Cannons Creek including significant areas of conservation covenant and
- Block J – the central farm area.

PCC concluded that it was desirable for it to acquire, (with Crown assistance), blocks F, G and K:

- Block F – an area off Sievers Grove,
- Block G – Carnarvon containing significant areas of regenerating bush and
- Block I – an area which has been identified by Transit NZ as eventually being required for part of the Transmission Gully motorway.

PCC staff also expressed the desire to have the land it acquired from LCFL managed by GW as part of the Park.

LCFL has agreed to retain blocks B & C.

Block B is at the north west extreme of the Farm and overlooks both Porirua and Whitby. In asking to purchase part of Waitangirua Farm only, GW has caused block B to have no existing legal road access. Part of the agreement therefore provides for either PCC to provide legal access to block B via land it owns off Stemhead Lane or for GW to provide legal access for block B over land it purchases in block A.

Block C is at the south west extreme of the Farm and overlooks Porirua, but obtains its access via Takapu Road.

7. The proposed transaction

GW's valuation of the above blocks is \$4.95 million. LCFL have valued the blocks A, D, E, H, and J at \$5,750,000. This left a gap of \$795,000 between LCFL's expectations and GW's value.

Without prejudice negotiations have resulted in the following proposal which would bridge that gap:

- PCC to purchase blocks F, G & I for the sum of \$670,000 plus GST.
- GW to purchase blocks A, D, E, H & J for the sum of \$5,100,000 plus GST subject to GW granting to LCFL a licence to graze the farm together with other areas of the Park for a period up to 30 June 2011 and at a

rental of 10 cents per annum. GW is also to pay subdivision costs estimated at \$30,000.

It is very important that LCFL remain on the Farm under a grazing licence for at least five years. This would provide GW with the time to manage the transition to GW management of the land. If LCFL were to leave then GW would either need to farm the land itself (the stock alone would be worth around \$1.5m) or find an alternative grazier. Our advice is that an alternative grazier would not be easy to find (primarily because of the capital outlay). In addition, we have estimated that GW would incur additional management costs in the order of \$200,000 pa (probably offset by a grazing rental of \$80,000 to \$100,000 pa).

Hence to have LCFL remain on the Farm after purchase was a valuable commodity for GW. From the LCFL perspective, the right to graze the land had a value between \$80,000 and \$100,000 per annum.

Negotiations concluded that LCFL would remain farming the Farm until 30 June 2011 at \$0.10 per annum. In recognition of the peppercorn licence fee, LCFL agreed to allow the true value of the licence fee to be capitalised and reduced from the purchase price. This reduced the LCFL asking price to \$5,250,000. To conclude the negotiations the difference in price remaining was split and \$5,100,000 adopted.

LCFL originally wanted GW to purchase all of Waitangirua Farm as one entity. In accepting that GW would only purchase nominated portions, LCFL required GW to meet all the costs of subdividing Waitangirua Farm into the various portions. Based on quotations obtained, GW believes it will be possible to achieve the subdivision and issue of new titles for the overall sum for legal, survey and resource consent of \$30,000.

PCC has verbally undertaken, as its contribution, to waive all reserve fund contributions arising from this initial subdivision. All subsequent subdivisions will attract reserve fund contributions.

8. The grazing licence

A grazing licence has been drafted and the terms agreed in principle. LCFL will graze the land, allow and promote recreational use of the Farm, continue to keep the land clear of pest plants, fertilise the land, pay the annual rates and maintain the buildings.

The licence also provides for GW to be granted the first right of refusal to purchase the LCFL stock and plant at its market value at the end of the licence term. GW will then be free to decide if it wishes to farm the land itself or if it will seek to place another grazier on the land.

Up to 30 June 2011, the licence fee will be \$0.10 pa. If the licence is renewed, a market licence fee will be assessed, agreed and imposed.

At the present time, LCFL holds licences to graze the Takapu block owned by DoC but which is now under GW control and management, the Dry Creek block which is also DoC owned and under GW management and the Kilmister and Sweetacre blocks which are Hutt City Council owned and now under GW management. We consider that GW has sufficient influence to arrange for the termination of those licences which return very little real rent, and their subsequent amalgamation with the Waitangirua Farm land purchased and to grant one overall licence.

9. The wind farm issue

From the outset of negotiations, LCFL had required any agreement entered into to be subject to a caveat regarding future use of the Farm for wind power generation. Discussion clarified that LCFL intended the title to be caveated to require the property to be revalued at the time a wind farm development took place and for GW to pay LCFL any differential in the land value which might arise. GW considered that proposal inappropriate.

GW advised that any sale proposal must be free of all caveats. LCFL, after consideration, accepted that position and agreed to propose the sale proceed with no caveat in place.

GW, if it is the purchaser of the Farm, will be free to explore the development of a wind farm without application of any subsequent penalty payable to LCFL.

10. The Farm title

The certificate of title for Waitangirua Farm is subject to numerous water rights, rights of way and pipeline easements. Overriding all the memorials registered is a Section 27B State Owned Enterprises Act 1986 memorial which provides for the resumption of the land on the recommendation of the Waitangi Tribunal. This Act does not provide for third parties, such as the Council as owner of the land, to be heard in relation to the making of any such recommendation.

LCFL has provided a copy of a letter dated 12 May 2005 from the Office of Treaty Settlements which in substance says – “ *Our negotiations Manager, (name) advises he does not wish to pursue these acquisitions as advised in earlier correspondence from this office. It is considered that Section 27B memorial of the SOE Act 1986 is sufficient protection of claimant interests.*”

This appears to confirm that there is a possibility of a Waitangi Tribunal claim for this land being lodged. It is therefore possible that the land may be acquired from GW in the future for claim settlement purposes. Resumption of ownership by the Crown for this purpose, will require the Crown to pay current market value for the land and improvements.

11. Funding implications

It is anticipated that the funds which will be required to complete the transaction will comprise:

Action	Potential cost	
Land purchase	5,100,000	
Valuation	6,000	
Property consultancy	21,000	
Legal	5,000	
Survey and resource consent	25,000	
Total estimated funds required	\$5,157,000	With contingency say \$5,200,000

12. Funding provision and priority

No specific funding provision is made for purchase of Waitangirua Farm in the current LTCCP.

The Parks and Forests Land Purchase Reserve will have a balance of around \$921,000 (at 30 June 2005). However, \$104,000 has been committed to pay GW's half share of the State Highway 2 underpass at Kaitoke (see report 03.449). This will leave a balance of approximately \$817,000. The remaining balance of \$4.4 Million would incur annual debt repayment of \$423,000 per annum. This repayment amount assumes that the interest rate on the debt continues to be 7.25%p.a. and that the loan is funded over 20 years in line with the current Council Treasury Management Policy for loan funding land purchases.

A decision to purchase the land would result in a breach of the Parks and Forests Internal Debt Limits as the Parks & Forests Department *Debt to Rates* ratio would exceed 50%. Hence, as a minimum the Council would need to adjust the Parks and Forests Internal Debt Limit in the Treasury Management Policy.

13. Funding the purchase

While the purchase price is considerably less than the \$10.5 million originally proposed by LCFL, the Chief Financial Officer has advised that given GW's other capital commitments (notably on Transport) and the potentially significant breach of the Council's Internal Debt Limit, the full purchase price will be extremely difficult to fund. Hence the option of the Council funding the entire purchase alone is not considered further in this report.

Council was aware of this situation and has sought assistance from central Government. At a meeting in early May with Government Ministers and Officials Councillors Buchanan and Laidlaw obtained an undertaking that Ministers were prepared to look at a "package" with a view to taking it to

Cabinet for funding assistance. There were no promises made that any funding would be forthcoming.

It is proposed that the cost of purchase be shared with the Crown providing 50% of the funds and each local authority providing the remaining 50% of that land that they wish to purchase.

If this arrangement is acceptable, GW's 50% share would be \$2,600,000. PCC's contribution would be around \$335,000 and the Crown would pay approximately \$2,900,000.

Under this scenario the annual debt repayment on the GW share would be \$172,000.

Once negotiations with the government are concluded we will put a further report to Council so that it can confirm whether the purchase terms are acceptable.

14. Financing the ongoing running of the property

As with all land purchases for Regional Parks there will be ongoing costs to manage the land. We are not seeking any additional funding for the running of the property in the 2005/06 year. Although there may be some additional funding required we can identify that as part of the LTCCP process.

Looking further ahead, while LCFL is farming the land we do not expect running costs to be too significant as things will be managed much as they are now. However, if the Council chooses to encourage greater public access to the farm or provides additional capital developments then that will need to be funded.

When Landcorp leave the farm (2011) it is likely that the Council will incur additional land management costs.

15. The fall back position

If Crown funding is not available, then it is proposed that GW revert to purchase of blocks D & H only. Those blocks contain the most significant conservation covenants and park access points. The blocks possess a combined value of \$750,000 plus GST so could be purchased from the Parks and Forests Land Purchase Reserve. This fall back position has been advised to and has been acknowledged by LCFL.

16. Recommendation

That the Committee recommend that Council

1. *receive the report*
2. *note its contents*

3. **approve** *in principle the conditional purchase of parts of the land in CT 40A/782, being blocks A, D, E, H & J (Attachment 3) from LCFL for the sum of \$5,100,000 plus GST but subject to acceptable funding assistance from the Crown.*
4. **approve** *GW meeting all costs associated with the subdivision of Waitangirua Farm to create the four titles required, being one title for GW, one for PCC and two for land retained by LCFL, all at an estimated cost of \$30,000 plus GST.*
5. **approve** *the expenditure of up to \$72,000 to cover, valuation and property consultancy and contingency costs*
6. **approve** *(subject to recommendations 3, 4 & 5 above being approved) GW seeking to grant LCFL a licence, over the land being purchased, plus the Takapu, Dry Creek, Kilmister and Sweetacre blocks, for a term to 30 June 2011 at a peppercorn rent and on the terms and conditions as detailed in the attached draft licence.*
7. **notes** *the intention of PCC to purchase from LCFL, subject to obtaining Crown financial assistance, blocks F, G & I*
8. **approve** *GW assuming management responsibilities for blocks F, G & I as part of Belmont Regional Park should they be purchased by PCC.*
9. **note** *that if appropriate government funding assistance is obtained, Council will be asked to confirm the purchase.*

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Attachments: 1. Report PE 04.714 dated 3 December 2004
2. Report 05.34 dated 1 February 2005
3. Plan – Belmont Regional Park Options v4 Update 17/05/2005

Report 04.714
Date 3 December 2004
File PK/11/01/08

Committee Policy and Finance Committee
Authors Murray Waititi Manager, Parks and Forests
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Offer to Purchase Waitangirua Farm from Landcorp Farming Ltd

17. Purpose

To consider the asking price stipulated by Landcorp Farming Limited (LCFL) for Greater Wellington (GW) to purchase Waitangirua Farm.

2. Exclusion of the Public

Grounds for the exclusion of the public under Section 48(1) of the Local Government Official Information and Meetings Act, 1987 are:

That the public conduct of the whole or relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists (i.e. to preserve commercial confidentiality and to enable the Council to carry on negotiations), including commercial negotiations, without prejudice or disadvantage.

Interests protected:

Wellington Regional Council

Landcorp Farming Ltd

3. Significance

The matters in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3) (b) of the Local Government Act 2002.

4. Background

Belmont Regional Park (BRP) is unique in the network of regional parks. It is the only regional park to encompass land in both private and public ownership. While the public perception is that GW owns and manages the land within BRP the reality has been quite different. Land contained within the park's boundary is owned by 6 agencies (See attachment 1). GW has formal rights to manage around 60% of the land in the park. Our management role in the other 40% is based around long standing good relationships between the landowners and our parks staff.

The Belmont Regional Park concept was modelled on the national parks of England. These parks comprise tracts of countryside which are recognised for their scenic and recreational value and comprise both publicly and privately owned land. Applying this concept to BRP was seen as a means of protecting and managing the landscape values and recreational opportunities while providing for its continued use and occupation by private landowners.

On 26 April 1977, the Minister of Lands agreed in principal to the inclusion of Waitangirua Farm into BRP. The Belmont Regional Park Management Plan records that although it was not formally stated at the time, it was implied that the land would become part of the park provided that farming operations remained viable.

In 1986, the newly created State Owned Enterprise, Landcorp Farming Ltd. took over ownership of Waitangirua Farm from the Department of Lands and Survey. The transfer of part of the farm from the Crown to LCFL was conditional on providing for covenants to protect shrub land and forest remnants, as well as walking access. From this commitment has developed the current informal partnership of management and ownership for BRP between LCFL and GW.

In March 2003, during a meeting between GW and LCFL officers, LCFL indicated that it was considering closing its operation on both Waitangirua and Whareroa farms. The process of closure at that time was not clear, but a 10 year exit strategy was discussed. LCFL indicated that it would be desirable for Waitangirua farm to remain part of the regional park and that LCFL could assist that process by continuing to farm the land until the exit was complete.

LCFL has now told us that they hope to dispose of Waitangirua Farm, and to exit the farming operation as soon as practicable. In preparation, the land has been offered to the Office of Treaty Settlements (OTS). This offer is part of LCFL's statutory requirement to offer any land it intends to dispose of back to OTS so that OTS may use the land to settle any treaty claims. Our understanding is that LCFL have been informed that the land is not required to settle any treaty claims at this stage and that they are now free to sell the property.

LCFL have been authorised by their Board of Directors to give GW the first right of refusal on the farm on a without prejudice basis.

5. Area offered for Purchase

Attachment 1 shows Waitangirua farm in the context of Belmont Regional Park. It occupies the main ridgeline in the centre of the park with access from Hill Road (Lower Hutt), Takapu Road (Wellington City) and the north-western (Porirua) area of the park. The farm's total area is 1,243 Hectares.

When the land was transferred from the Department of Lands and Survey to LCFL the Government took actions to protect some of the environmental and recreational values of the property. Hence, there are conservation covenants over bush remnant areas. Recreational access across the Landcorp land is limited to Old Coach Road, Belmont Road (paper roads) and two formal walkway easements to Takapu Road and Cannons Creek. The farm is closed at times during the year e.g. for lambing.

The land is zoned Rural in the Porirua and Wellington District Plans with a Landscape Protection designation over the land immediately above Porirua East. The land within Hutt City is zoned General Recreation. Farming and recreation are permitted activities for these zones in all District Plans.

6. LCFL Requirements

LCFL has advised that it requires GW to pay \$10,500,000 (Ten Million, Five Hundred Thousand dollars) to purchase Waitangirua Farm subject to the following conditions:

- the farm would be sold in one complete unit (all 1,243 ha non subdivided)
- the asking price is not negotiable
- a “claw back” provision will be included in the sale agreement requiring GW to pay LCFL a portion of any revenue received as proceeds from any future wind farm development.
- any sale would be subject to the provisions of Section 27b of the State Owned Enterprises Act (1986) which allows ownership of the land to be resumed by the Crown to satisfy Waitangi Tribunal claims. The owner has no say in any resumption, but is compensated with current market value for the land.

LCFL require a response to the offer by 18th February 2005. The asking price will remain valid for six months and will be reviewed in April 2005. A copy of LCFL’s letter of offer is attached as Attachment 2.

7. The estimated value of the property:

Following our initial discussions with LCFL in 2003 we commissioned a valuation of Waitangirua Farm to provide a guide to its [then] current market value and rental value should the land remain a farming unit. The valuation is attached as Attachment 3. LCFL did not grant the Council’s valuer access to the land, so the assessment was desktop generated.

The registered valuer assessed the property’s capital value as a farm at \$4,550,000 (four million, five hundred and fifty thousand dollars) with an estimated annual lease income of \$86,000 (eighty six thousand dollars) assuming the lessee paid the rates, insurance and all associated maintenance costs. The rental assessment was based on the assumption that LCFL would remain on the property for at least 10 years after the sale. As background, you should also note that in addition to grazing Waitangirua Farm. LCFL also lease and graze the adjacent Dry Creek and Takapu Blocks from the Department of Conservation (DoC), and the Kilmister Block from HCC.

In the valuer’s comments about the farm as a going concern, he noted that the farming operation on this land is difficult due to its terrain, exposure to weather, and close proximity to an extensive urban development. The valuer

also noted that parts of the block had potential for, but was some time away from, being ripe for urban development.

Based on this information, there is an obvious disparity between the valuation on which the asking price is based and the earlier valuation we commissioned. Because the Landcorp valuation basis has not, at this point, been disclosed to us, we can only assume that the disparity is due to three factors

- The GW valuation was based on a “rural” value assuming Waitangirua Farm continued as a farming entity. The Landcorp valuation may assume other potential uses for the farm i.e. possible subdivision for residential housing.
- There may have been a general upward market movement in real estate prices since the GW valuation was commissioned.
- There is a premium attached to the selling price.

8. Waitangirua Farm’s importance to Belmont Regional Park

Belmont Regional Park is a significant area of open space immediately adjoining major urban centres (Lower Hutt and Porirua) with important environmental, heritage, and recreational values. The park has an estimated 110,000 visits per year.

As noted earlier the park is an amalgamation of several ownerships. Over the last six years, GW has achieved a large measure of control and management of the land within the park. For example, much of the DoC owned land is now vested in GW as manager, and the management of the HCC land is now, by an agreement, also under GW control. The balance of the land in the park is owned by LCFL, Porirua City Council (PCC), and Wellington City Council (WCC). The PCC and WCC portions are relatively insignificant. On the other hand, the LCFL portion is not only 35% of the area of the park, but also comprises the strategically important West-East and North-South links between all the other park lands. Although the existing walkways are protected, the centre of the park remains a strategic “lynch-pin” in the park that glues all the other pieces of land together.

Report 00.277 identified the purchase of land to maintain existing regional parks and recreation areas as the Council’s top priority for regional park land purchase. The report specifically noted Waitangirua farm within Belmont Regional Park as a top priority piece of land.

9. Financing any purchase:

If the Council were to purchase Waitangirua Farm there are two funding sources available:

- The Parks and Forests **Land Purchase Reserve**: Currently this has a balance of \$877,000 (plus any accrued interest for the 2004/05 financial year). However, \$104,000 has been committed to pay GW's half share of the State Highway 2 underpass at Kaitoke (see report 03.449). This would leave a balance of approximately \$800,000.
- **Loan Funding**: The remaining balance of \$9.7 Million would incur annual debt repayment of *\$937,000 per annum*. This repayment amount however assumes that the interest rate on the debt continues to be 7.25% p.a. and that the loan is funded over 20 years in line with the current Council Treasury Management Policy for loan funding land purchases.

GW staff have informally raised the prospect of the Crown assisting to purchase the land as part of the DoC estate. This would enable the land to be retained under public ownership and GW management (much like the Takapu block). Unfortunately, DoC did not believe this concept would gain support.

10. Financing the ongoing running of the property

As noted above, in 2003, a registered valuer estimated that the farm should net a positive return to the Council of \$86,000 per annum. This was at a time when LCFL had advised us it would hope to remain on as lessee after the sale. LCFL has now stated that it would be unlikely to remain on the land as a lessee after a sale. This withdrawal from the land by LCFL will also lead to a loss of rent from the other park blocks leased to LCFL at Dry Creek, Takapu and Kilmister. This income would now rely on the blocks being attractive to an alternative lessee. It may be pragmatic to acknowledge that income from a farming operation may not eventuate as originally foreseen.

The \$86,000 annual return assumed that the lessee would be responsible for ownership of stock, management and maintenance of the land and meeting costs of rates and insurance. This return, however, does not include any costs associated with the community's or the Council's desire for the property to contribute more to any sustainability outcomes than it already does. With the land being in public ownership, pressure will come on GW to provide recreation, environmental and heritage enhancement on the property. As well as this, there will be an increased farm management role on the existing ranger service.

The ongoing cost implications of purchasing the land, (in excess of funding the purchase price) would need to include such things as pest plant and animal control, road, track and facility development and maintenance, additional ranger support, ranger equipment, fencing and bunker restoration. All this we would estimate to cost in the order of an additional \$200,000 per annum.

11. Options

The following options are being made available to Council for consideration at this time.

11.1 Purchase the property for the asking price.

While this option is available to the Council, both staff and our property consultants consider that the asking price for the property is well above what is a reasonable price to pay for it.

If you were to accept the LCFL offer to purchase, the Council would incur additional costs in the order of \$1.1 Million per annum (\$940,000 loan repayment plus approx \$200,000 extra operating costs) for the next 20 years. None of these costs are currently funded through the LTCCP.

11.2 Reject the offer and renegotiate the asking price for the entire property.

If the Council was interested in purchasing the property at this time, officers could approach Landcorp to see whether they would be amenable to reducing their asking price. However, we do not expect a positive response as Landcorp have already indicated very clearly that the asking price is not negotiable.

11.3 Suggest that GW would consider purchasing a part of the property for a reduced price.

While purchasing the entire farm may be desirable, we would not need the entire 1,243 hectares to ensure the main recreational, environmental, landscape and heritage features are preserved. There are other mechanisms available that could be used to facilitate these aims. For instance:

- A core area could be purchased that would protect *almost all* the special features of the farm.
- Walkways Act and reserve contribution processes could be pursued with the relevant authorities to provide *some* access and protection to special areas at little cost to GW.

In discussions, LCFL have indicated that they may be prepared to look at this option.

11.4 Reject the offer and the opportunity to purchase any part of the farm.

If GW decides not to pursue any purchasing options, Landcorp have indicated that they will put the property up for sale on the open market and will look to maximise their commercial return on the land.

At that point, the public will still have access over the farm on areas covered by existing registered walkways. There may also be the opportunity to pursue

reserve contribution and Walkways Act processes to provide more public walkways through the farm as part of any sale proposal.

12. Discussion of Options

Strategically, Waitangirua Farm is a key piece of land within Belmont Regional Park and we consider it would be an important addition to the regional park network. However, to purchase the whole property, at the price required by LCFL, would not be financially prudent.

If the property were bought whole, less important portions of the land could be subdivided off and sold. However, the vast scale of this endeavour and the property market's ability to absorb that amount of available land is problematic and not one GW is necessarily equipped to cater for.

Rejecting the offer does seem to be the only option available. Renegotiation of the price is not being offered. While not in writing, suggestions have been made by LCFL that rejection of the offer will lead to discussions on possible purchase by GW of strategic portions of the property. LCFL appear to be considering undertaking a subdivision of this land in order to optimise its full realisable potential. This may benefit GW in that subdivision will trigger requirements for reserve fund contributions to be made. The affected Territorial Authorities may be inclined to assist the park by taking land for the Park as a reserve contribution and placing it under GW management.

This option of rejection of the offer and seeking to purchase a lesser but strategic portion seems to be the most viable option. It would lead to fewer operational costs being incurred while preserving all the required links.

The final option of outright rejection is not favoured. Without portions of Waitangirua Farm, the Park can function, but it would lose some of its value as a regional recreational resource. In addition, we would expect that in years to come the need for open space will increase as urban development continues in the metropolitan area. We may not get another opportunity to secure this land in future.

13. Recommendations

That the Committee

1. **receive** the report
2. **note** the contents
3. **authorise** officers to reject the Landcorp Farming Limited offer
4. **authorise** officers to initiate discussions with Landcorp Farming Ltd to explore options for purchasing or otherwise protecting the key areas of Waitangirua farm for park purposes.

Report prepared by:

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