



PUBLIC EXCLUDED

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Committee Policy and Finance Committee
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Offer to Purchase Waitangirua Farm from Landcorp Farming Ltd

1. 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.*

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Public excluded