

16. ROTHESAY ROAD - LOT 25 DP 5121

Officer responsible
Property Manager

Author
Lewis Burn - Property Services Officer, DDI 941-8522

The purpose of this report is to outline options for dealing with an under-utilised parcel of land at Rothesay Road, adjoining Bottle Lake Forest and to seek a recommendation from the Board and a resolution from the Council on the adoption of an option(s) to maximise use of the site and/or benefits for the Council.

CONTEXT

The Council owns, in fee simple under the Local Government Act 2002, an undeveloped site on unformed Rothesay Road opposite the Bottle Lake Forest and adjoining the Waimairi Beach Golf Course. One of the adjoining owners, Rookwood Holdings Limited, is in the process of carrying out a residential development in the area, and has approached the Council to determine if the Council would sell this land for inclusion in the developers' subdivision. The Board is being asked to make a recommendation to the Property and Major Projects Committee.

EXECUTIVE SUMMARY

This report considers what the Council should do with this undeveloped site at Rothesay Road. The options considered are:

1. Sell preferentially to Rookwood Holdings Limited as an adjoining owner and developer.
2. Sell preferentially to Waimairi Beach Golf Club, the other adjoining owner.
3. Sell by selective, closed tender to the adjoining owners 1 and 2.
4. Retain until formed access and services are developed to the site and then sell by public tender.

In summary the report recommends option 3 as this option will establish the true market value and comply with Council policy on disposal. It is difficult to see that in its current undeveloped state this land would have any attraction to the open market.

PROPERTY DESCRIPTION (refer attached plan)

Legal

Lot 25 DP 5121, containing 513 m² being part CB 389/230.

Site

Undeveloped triangular shaped area facing northeast in an area covered in scrub.

Zoning

Living 1 (outer Suburban) under the proposed City Plan. This zone provides principally for low density permanent living accommodation. The minimum allotment area in this zone is 450m².

The Land Information Memorandum has been obtained and this has not revealed any special or untoward information about the property.

RELEVANT CURRENT POLICY

Council Policy

There are two policy issues relevant to this project:

- (i) Future use of properties that are no longer required for operational purposes must be determined in accordance with the "property decision making flow chart". The main steps in this process are:

- Step 1 Identifying that a property asset is no longer required for operational purposes or is under-utilised.
- Step 2 Assessment of the property; that is, features, legal status etc.

- Step 3 Internal circularisation for the purpose of establishing whether there are other Council/public uses.
- Step 4 Property Unit assessment of internal/public submissions and preparation of an Options Report.
- Step 5 Council Resolution on future use or sale.

- (ii) Should the Council resolve to sell the property this will need to be conducted in a public manner; that is:

“That, in principle, the Council should publicly tender properties for sale unless there is a clear reason for doing otherwise”.

Statutory Obligations

- (a) Councils are enabled to sell land under the Local Government Act 2002.
- (b) Under Section 40 of the Public Works Act 1981 any property declared surplus to requirements may be subject to an offer-back obligation with the previous owner. Whether this obligation exists depends on the circumstances surrounding its initial purchase and consequent use. Councils are required to rationalise why a property should or should not be offered back and pass a formal resolution to do so or not.
- (c) Subsection (2) of this section shall not apply to land acquired after the 31st day of January 1982 and before the date of commencement of the Public Works Amendment Act (No 2) 1987 (31 March 1987) for a public work that was not an essential work. This property was acquired by transfer by the former Waimairi District Council on 12 February 1987. An essential work includes within this meaning any public work required for rubbish disposal. The subject property was an incidental acquisition to land acquired north of Rothesay Road that arguably was required for rubbish disposal (residential buffer to landfill). The legal advice is that the safe course of action would be to first offer the property back to the former owner.

DESCRIPTION OF PROPOSAL

In terms of the property decision making flow chart summarised above the Council is currently at Step 5. This report serves to complete Step 4.

In response to internal circulation the suggestion was raised by Parks and Waterways Unit that this land, although not required in its current location, could be useful as a bargaining property to swap with Rookwood Holdings for access on to the beach frontage at the beach end of Rothesay Road. However, Rookwood Holdings scheme of subdivision does provide for a reserve contribution in this location that would satisfy this requirement.

Officers have considered four options for the Living 1 zone portion of the Rothesay Road site, as follows:

1. Sell preferentially to Rookwood Holdings Limited

The purchaser, Rookwood Holdings Limited, would then be free to develop the site in association with their subdivision in accordance with the City Plan rules and regulations with a better shaped site for building a dwelling as a likely outcome. This addition to the subdivision may also allow for two/three superior sites once added to the existing adjoining lots. The adjoining subdivider has the appropriate expertise and resources to attend to development of the site in a more cost-effective manner than the Council.

However, the Council could be criticised for dealing unilaterally with the subdivider and not having any regard for possibly the only other prospective purchaser, the adjoining Golf Club.

2. Sale preferentially to Waimairi Beach Golf Club

The same comment as option 1 in regard to dealing unilaterally applies but the property would probably not be developed for residential use. The Club has not been approached as to its interest but as an adjoining owner should be given the opportunity to tender, which would add competition to the sale process.

3. Sale by selective closed tender to the two adjoining owners

This option will “test the market “ for this irregular shaped piece of land while also keeping to a transparent and defensible process of disposal.

4. Retain meantime

This option considers whether the Council should retain this land and sell (by public tender) once the surrounds have been established with formed access and services to the allotment (say 18 months to two years). Note that the former Waimairi District Council purchased this site in 1987. The market value may well increase markedly once subdivision alongside develops to give a more established residential atmosphere. While not of a good shape the site could attract a premium because of its golf course boundary. However, this option does expose the Council to most risk with uncertainty as to future services connection/roading and continued holding costs (although minimal).

ISSUES FOR CONSIDERATION

Options Evaluation

The Financial Analysis of the options is contained in the Public Excluded section of this report. A summary of the advantages and disadvantages of each option follows.

Option 1 - Sell preferentially to Rookwood Holdings Limited

Advantages	Disadvantages
<ul style="list-style-type: none">• Council does not expose itself to the risks involved in residential development.• Income from sale credited to the Council's books as unbudgeted revenue.• Leaves development to someone with the appropriate expertise and potential to do it most economically.• Least cost option if site sold “as is”; that is, without development.• Expedient in terms of process time.• Greater increases in rateable value.	<ul style="list-style-type: none">• Potential criticism for dealing unilaterally.• Forgo possible greater financial return.• Close any option to use for another purpose in the future.• Loss of a possible bargaining asset with developer.

Option 2 - Sell preferentially to Waimairi Beach Golf Club

Advantages	Disadvantages
<ul style="list-style-type: none">• Council does not expose itself to the risks involved in residential development.• Income from sale credited to the Council's books as unbudgeted revenue.• Least cost option if site sold “as is”; that is, without development.• Expedient in terms of process time.• Increases rateable value.	<ul style="list-style-type: none">• Potential criticism for dealing unilaterally.• Forgo possible greater financial return.• Close any option to use for another purpose in the future.

Option 3 - Sale by selective closed tender to the two adjoining owners

Advantages	Disadvantages
<ul style="list-style-type: none">• Open, defensible disposal method.• Maximise return from sale.• As per options 1 and 2.	<ul style="list-style-type: none">• Process time and cost with this disposal method.

Option 4 - Retain meantime

Advantages	Disadvantages
<ul style="list-style-type: none">• Retains options for another use.• Retains a bargaining asset.• Potential for higher net return.	<ul style="list-style-type: none">• Loss of immediate revenue• Option with most risk.• No short term rateable value increase.

Budget Provisions

There is no line item in the Council's annual plan in relation to this property as the asset is a small part of the greater Bottle Lake Forest Park.

CONCLUSIONS

The main issues affecting what the Council decides to do with this site in the future are:

- There are no budget provisions for development.
- The site is irregular in shape.
- The site is unused, undeveloped/non-serviced.
- Adjoining residential development is currently taking place.
- No specific Council strategic or operational use has been identified.
- The site is not well prepared for sale and its market value will reflect this.

Weighing up the issues, the intangible benefits and disbenefits above the following conclusions are drawn:

- (a) A sale by the Council preferentially to either adjoining owner is not recommended, primarily because:
- There is not considered to be sufficient good reason to deal unilaterally with either party.
 - It is difficult to speculate what the added value may be to the respective adjoining owners.
- (b) Retention of the property is not seen as preferable because:
- Council units have not substantiated a use either strategically or operationally.
 - Retention of property purely for speculative purposes is not a good reason for holding property.
 - There are limitations with its shape and uncertainties with the manner and cost of future access and services to this site before it would be attractive to the open market.
- (c) To sell the land "as is" by selective tender is recommended as the most favourable option because:
- It is cost effective.
 - The realisation of some revenue to the Council in the short term will be achieved if agreement can be reached.
 - It is a competitive, defensible process.
 - If it proves unsuccessful Option 4 can be revisited.

In resolving to pursue this option we would recommend the Property Manager be given the authority to conclude a sale.

NATURAL + PEOPLE + ECONOMIC STEP ASSESSMENT

#	CONDITION:	Meets condition ✓✓0*	HOW IT HELPS MEET CONDITION:
The Natural Step			
N1	Reduce non-renewable resource use	✓✓	Productive use of a potentially unproductive site.
N2	Eliminate emission of harmful substances		N/A
N3	Protect and restore biodiversity and ecosystems		N/A
N4	People needs met fairly and efficiently	✓	Possibly provide a rateable developed residential section to the market.
The People Step			
P1	Basic needs met	✓	Will ultimately produce some local revitalisation
P2	Full potential developed	✓	
P3	Social capital enhanced		N/A
P4	Culture and identity protected		N/A
P5	Governance and participatory democracy strengthened		N/A
The Economic Step			
E1	Effective and efficient use of all resources	✓✓	Benefits outweigh costs.

E2	Job rich local economy	✓	
E3	Financial sustainability	✓✓	Yes, can be achieved in current budget provisions and could produce unbudgeted revenue

Staff

Recommendation: That the Board recommend to the Property and Major Projects Committee:

1. That the Council resolve to declare Lot 25 DP 5121 surplus to requirements.
2. That subject to 1 above, Lot 25 DP 5121 be offered back to the former owner under Section 40 of the Public Works Act 1981.
3. That, subject to an offer back to the former owner not being taken up, the Council resolve to sell Lot 25 DP 5121 by selective tender to Rookwood Holdings Limited and Waimairi Beach Golf Club with the Property Manger authorised to conclude a sale on the basis given in the Public Excluded section of this report.
4. That, in the event that no acceptable tender is received, the property be retained with a view to disposal in 2004/05; that is option 4 with a further report to the Council at the appropriate time.

Chairperson's

Recommendation: That the abovementioned recommendations be adopted.