

2. LEASE OF FERRYMEAD LAND TO TAMAKI TOURS LIMITED

Officer responsible Property Manager	Author Angus Smith, Property Projects, DDI 371-1502
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The purpose of this report is to seek Council approval to:

1. An agreement with the Ferrymead Trust that facilitates their surrender of lease over the Woodhill Lot thereby enabling the Council to re-lease it to Tamaki Tours Ltd.
2. Delegate authority to the Property Manager to conclude a leasing arrangement with Tamaki Tours Limited.

BACKGROUND

In December 2000 the Council considered a report introducing the concept of a tourist attraction to be run by Tamaki Tours Limited at Ferrymead. This proposal was for a living pre-European Maori Village including various craft, cultural re-enactments, hangi and Maori concerts broadly based on their successful Rotorua experience.

The area of land identified for this project is largely the area marked 10 on the attached plan (Appendix A) and known as the "Woodhill Lot". This is a raised area of approximately 4.3 hectares, formerly the Heathcote Council rubbish dump.

The property is encumbered by a perpetually renewable lease to the Ferrymead Trust at a peppercorn rental and has been predominantly under-utilised and under-developed by the lessee.

As a result of the December 2000 report the Council resolved as follows:

1.
 - (a) *The Council consulting with tangata whenua and discussing the safeguards proposed for the Nga Hau E Wha tourist programme.*
 - (b) *The Ferrymead Historic Park Trust relinquishing its existing lease.*
 - (c) *Any Public Works Act matters being dealt with to the satisfaction of the city solicitor.*
 - (d) *Appropriate community consultation being undertaken.*
 - (e) *Any contamination issues being satisfactorily dealt with.*
 - (f) *Resource and all necessary consents being obtained.*
 - (g) *A commercial lease being satisfactorily negotiated.*
2. *That a subcommittee comprising the Chairman, the Mayor and Councillors Evans and James be appointed to develop the proposal and make a recommendation to the Strategy and Resources committee.*
3. *That authority be delegated to the Strategy and Resources Committee to deal with all matters, including the lease.*

Over the last year a significant amount of work has been undertaken on:

- Concept planning for the whole area including:
 - New sports grounds, waterway and flood plain wetland development.
 - Ferrymead Trust land exchange and compensation package.
 - Golf Course and Driving Range (lease approved).
 - Tamaki Tours Maori Village (lease to be approved).
 - Santorini Hot Pools (lease, location under consideration). These broader planning issues are being presented to the Council this month in a detailed separate report through the Parks and Recreation Committee.
- Consultation with the community, interested groups and stakeholders. Details of the public consultation are included in clause 3 of the report of the Parks and Recreation Committee to the present meeting.
- Negotiations over contractual arrangements with various parties.
- Detailed negotiations with the Ferrymead Trust for relinquishment of its lease over the Woodhill Lot.
- Soils and foundations investigations to the Woodhill Lot.

In response to the points of the Council resolution we comment as follows:

1.
 - (a) The community, Tangata Whenua through Maria Tait (Christchurch City Council Maori Liaison Officer) and Nga Hau E Wha have been consulted over this proposed project and all parties have generally provided support.

- (b) The arrangements to facilitate the Ferrymead Trust lease relinquishment are outlined below and are the subject of Council approval sought through this report.
- (c) Public Works Act matters have been investigated and we are advised that the Council has no obligations in this regard.
- (d) Refer to comment under (a) above along with the Parks and Recreation report to this month's Council meeting.
- (e) A soils and foundation report has been obtained and provided to Tamaki Tours. The findings of the report are detailed below:
 - The site predominantly comprises a mound of uncontrolled fill placed directly on top of the natural ground, i.e. not in a previously excavated pit.
 - Some contamination exceeding health based soil investigation levels for land associated with parks, recreational open space and playing fields (including secondary schools), but not exceeding standards for commercial/industrial land uses were detected, i.e. in one of the four random test samples.
 - Ground water quality tests indicate that leachate is being produced but is more than likely relatively inert. Coupled with dilution affects from the Heathcote River exceedances would be reduced below guideline levels indicating that the potential for adverse environment effects are negligible
 - Results indicate there is low level production of carbon dioxide. Methane was not detected.
 - Geotechnical constraints are that the landfill area could be prone to large and unpredictable settlements owing to the uncompacted nature of the back-fill and decomposition of material within the landfill. Therefore specific foundation design solutions for the buildings will be required.
 - There is a risk of liquefaction and lateral spread. However at present there appears to be general consensus between Environment Canterbury and the Christchurch City Council that new development should not be precluded because of the risk of soil liquefaction since much of the city is already developed on liquefiable sands. The issues of lateral spread are of similar debate.

As a result the report makes the following recommendations:

- All structural foundations shall be subject to a specific engineering design to address the landfill issues on the site.
- All site-works and services shall be subject to specific engineering design to address the landfill issues on the site.
- Any area that will prevent the natural escape of landfill gases shall be subject to a specific engineering design to address ventilation of these gases.
- Clean material, to a depth of up to 0.5m, will need to be imported and placed over the existing capping layer.
- An excavation management plan will be required for this area, giving consideration to health and safety in excavations, disposal of excavated material and the long term effect of contaminated ground on buried structures.
- A stormwater management plan will be required for this area, giving consideration to the collection and disposal of stormwater from the site.
- An environmental management plan will be required for this area, giving consideration to depth of clean fill where grassed areas are located, protection of plants and protection of groundwater.

It is proposed that the site be leased to Tamaki Tours "as is" with any reparation and containment issues their responsibility. However, it is likely that Council may, as a result of the negotiations that are to follow, be required to contribute towards these costs or agree a rental that takes account of where the costs of this responsibility fall.

- (f) This is given for any development.
- (g) Refer below. This is the second aspect of the Council's approval sought through this report.

2 & 3. For a number of reasons we have elected to progress this matter direct through the September Council meeting via the Strategy and Resources Committee.

FERRYPEAD TRUST'S LEASE RELINQUISHMENT

Extensive negotiations have resulted in an arrangement with the Ferrymead Trust as follows:

In summary to compensate the Ferrymead Trust for a surrender of their lease over the "Woodhill lot", for the purposes of facilitating the proposed development by Tamaki Tours Limited. The Council would need to agree to:

- Transfer the areas of land marked 'A' on the attached plan (Appendix B) to the Trust. This comprises an area of approximately 16,700m².
- Provide rights for access and use of approximately 40 car parks to be formed either along Truscotts Road – south of the intersection with Ferrymead Park Drive or in the vicinity of this intersection. This would equate to approximately 1300m². In addition approximately 50 overflow car parks on grass will also be provided within the same vicinity and comprise approximately 2000m². Any sharing arrangements over parking with other operators in the area will see these two numbers doubled, i.e. 80 and 100 parks respectively. The exact position of the car parking is yet to be determined as much of the planning for this area is still conceptual and subject to public consultation. The undertaking, however, is to provide car parking generally within the area defined above, i.e. close proximity/adjacent to the park entranceway. The Council will commit to using its best endeavours to undertake this work within two years and certainly no more than five years.
- Provide continued occupation of the building at the Bridle Path end of the park near the Tram Barn utilised by the radio people. This would be under a three-year licence to occupy that can be terminated by the radio people/trust upon one month's notice.
- Provide a right of first refusal to negotiate the usage or purchase of Truscotts Road should it be stopped along any length of the boundary of the park and not required by the Council. The area marked 'D' comprises approximately 4600 m².
- Provide limited right of way access over the stopped portion of Truscotts Road.
- Assist in resolving ownership and exploring opportunities for the Trust in respect of the Crown-owned lot at the southern end of the park. The area marked 'E' comprising approximately 10,102m². A separate plan is attached detailing the breakdown of this into four separate lots. Any land in Council ownership and if declared surplus to requirements will be offered back to Ferrymead Trust as adjoining owner under Section 42(1)(c) of the Local Government Act.
- Grant a right of first refusal to purchase the land to the west of the park, currently proposed to be occupied by the Geoff Saunders Driving Range if not required by the Council. Area marked 'F' on the attached plan comprising 38,400m².
- The Council, the Ferrymead Trust and Ferrymead Park Limited jointly producing a plan for future design and development of the land currently owned by the Trust. The Council would provide funding up to a maximum of \$30,000 for this purpose, this amount to be apportioned 50:50 between external and internal consultancy. All parties should aim for this to occur within a two-year period and certainly no longer than five years upon which this funding opportunity shall be deemed to have expired.
- Assist in funding the removal of the equipment and buildings on the Woodhill lot to a maximum cost of \$35,000.
- Fill Truscotts Road drain in conjunction with the area development plans.
- Acknowledge that Truscotts Road is utilised as a trolley bus route and that this will remain available for that purpose into the future.
- Enhance the waterways within the park highlighted on the attached plan within the next 10 years.

Associated costs will be met from the existing Parks & Waterways budgets.

TAMAKI LEASE PROPOSAL

Experience – Tamaki Tours Limited is a private company owned by Mike and Doug Tamaki, who first established a tourism venture in Rotorua in 1989. This eventually resulted in the establishment of the Tamaki Maori Village at Tumunui in 1994.

This has proven very successful with Tamaki Tours receiving a number of awards as a result. Mike Tamaki is also a director on a number of boards predominantly associated with tourism.

In summary they are proven successful operators.

Location/Lease Area - The Tamaki Maori village would be located on the land previously used as a rubbish dump beside the Heathcote estuary and northeast of the Ferrymead Heritage Park.

Tamaki Tours would like to make use of the existing car park area in between Bridle Path Road and the tramlines on the eastern side of the low lying area currently used for horse grazing. Access to the car park could be from either Bridle Path Road or Truscotts Road. Based on the experience of Tamaki Tours in Rotorua, the car park would need to be as large as possible within the confines of the existing car park area.

Concept - The Christchurch Tamaki experience is broadly-based on the hugely successful Rotorua Tamaki village, but with a format that gives visitors more time to explore, at their own pace, the various experiences that the Village has to offer.

Full details of the proposal are contained in clause 3 of the report of the Parks and Recreation Committee.

Project Timetable - Tamaki Tours have set an aggressive timetable to develop the Village in Christchurch. However, this is necessary to be able to open the Village prior to the 2002/2003 summer tourist season.

Main milestones

September 2001	Commence negotiations with CCC re lease area, terms, parking, conditions, cost, CCC financial participation etc.
October 2001	Refined detailed concept, including architect, landscaping, civil engineering, detailed costing.
November 2001	Completion of resource and building consents.
February 2002	Commence construction.
May 2002	Fit out.
July 2002	Soft opening.

Project Budget & Budget Financial Performance – Comments in respect of the project budget and financial performance predictions are included in the public excluded section of this agenda.

Proposed Lease Arrangements

Lease area - Tamaki Tours would consider a lease of the following areas:

- the existing car park area surrounded by Bridle Path Road (to the east), Truscotts Road (to the south), the tram lines (to the west) and the Ferrymead rail buildings (to the north);
- the Wood Hill site; and
- a portion of the flat flood control land currently used for horse grazing. The plan requires part of the northern area of this land for a reception and head office building. The building would be located directly west of the southern most part of the car park.

Lease term - Owing to the significant capital expenditure involved in this project, Tamaki Tours would prefer a relatively long lease period, and propose a lease term of 30 years with a right of renewal for a further 30 years.

Lease rental - Tamaki Tours would like to enter into discussions with the Council as to an appropriate rental for the site. However, it is not possible to commence this process until further information is known about the site contamination and access to services, and the cost of addressing these issues.

Rental Value and Risk

A commentary on rental value and risk is included in the public excluded section of this agenda.

Advantages and Disadvantages

The Tamaki proposal has numerous advantages. In general there are significant social advantages in respect of creating employment and promoting a cultural experience. There are also significant environmental advantages in that a contaminated site will be tidied up thereby attending to a potential contingent liability of the Council. In addition an area that has been somewhat under-utilised, under-developed and is a bit of an eyesore would be sympathetically developed. There are also a number of economic benefits for the area and more broadly Christchurch, e.g. synergies and creation of a critical mass with Ferrymead Historic Park, tourism and employment.

The most significant disadvantage would be the risk of financial failure resulting in site abandonment or rental reductions. This is, however, not considered a constraint, as it would not put the Council in a worse environmental, social and economic position than would exist if it were to maintain the status quo.

SUMMARY

There are numerous benefits with negligible disadvantages. The Council will be better off than if it were to retain the status quo.

The Council has no policy concerns in dealing unilaterally with Tamaki Tours, as the Ferrymead Trust lease surrender and consequent re-leasing to Tamaki Tours are not mutually exclusive.

Owing to timing issues Tamaki Tours have been unable to provide details on financial viability, funding arrangements and a proposed rent structure. The primary reason for this is that their development costs will largely dictate an outcome on these issues and a significant contributor, i.e. the soils and foundation information has only just become available. A Council resolution that allows this project to proceed, particularly over the interregnum is required. We therefore propose the following and reiterate that Council can take some comfort in providing the delegations recommended particularly in view of the comments on the risks and rental in the public excluded section

- Recommendation:**
1. That the Property Manager be delegated authority to conclude arrangements with the Ferrymead Trust as generally outlined in this report.
 2. That the Property Manager be delegated authority to conclude a lease arrangement with Tamaki Tours Ltd as generally outlined in this report subject to:
 - (a) The rental being reviewed after two years.
 - (b) The Property Manager's and Director of Finance's satisfaction with the lessee's business plan in respect of their financial viability.
 - (c) Agreement with the Parks & Waterways Manager and Ferrymead Trust on finalisation of the specific area details.
 - (d) The Property Manager's and Director of Finance's satisfaction on a rental structure that is commercially fair and does not compromise the financial viability of the lessee.
 3. That any proposals for the Council to contribute financially towards this project other than those outlined in this report or that can be achieved within current budgets, e.g. for site contamination and remediation works be brought to the full Council for approval.

(Note: Councillor Wright abstained from the discussion and voting on the above clause.)