

## 12. LOAN TO STEWARTS GULLY RESIDENTS' ASSOCIATION – SEWER INSTALLATION

<b>Officer responsible</b> Director of Finance	<b>Author</b> Geoff Barnes, DDI 371-1447
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The purpose of this report is to seek approval from the Council to lend the Stewarts Gully Residents' Association Incorporated \$150,000 to pay their share of the reticulation within their property on Kainga Road.

### BACKGROUND

The Council is extending the sewerage system to the boundary of the Association's property under works proposed in the 2001/02 programme. This area currently has night-soil collection. It is the last community of Christchurch on this sewage disposal method and is one of only a handful of communities where the land is owned in common. This is the last to be reticulated. A recent similar scheme was the reticulation of Riverlea Estates Ltd. The Council has been progressively reticulating all built up areas to ensure all residents are on a piped service.

The Association has within its property 30 separate rating assessments. These are individually rated. The land is owned in common by the Association with the occupiers having a licence to occupy each site.

The cost of the works to reticulate the sewerage network within the Association's property to each site is \$250,000. Of this \$100,000 is to be funded by Council leaving a cost of approximately \$150,000 to be met by residents. The project is at final design stage with the cost estimate likely to be maintained. The split between Council funded and Association funded is based on the precedent set for Riverlea Estates Ltd. The Council will fund the pumping station and pressure mains. Funding for the Council's share of the cost has been provided in the Annual Plan.

In addition, each site occupier will be responsible for the drainage and plumbing works within their site to install toilets and wastewater connections and drainage to the sewerage network at the site boundary.

Individual site occupiers are unlikely to be able to obtain loans from the Council under our current Sewerage Loans scheme, which assists private drainage works for residents, as the security offered by individual site occupiers would be unavailable or inadequate. Therefore a global assistance by the provision of loan funding to the Association is appropriate.

The Council's Investment Policy requires that loans of this nature be approved by the Council. The detail of the loan can be delegated to staff to work through.

### THE LOAN PROPOSAL

It is intended to raise a loan of \$150,000 (with approval to increase by up to 20% if necessary) to be repaid over 20 years. The loan would be made to the Stewarts Gully Residents' Association Inc and secured by first mortgage over the Association's land, a fee simple title CB34C/157 of 7.1998 ha. The interest rate proposed is 1% over the Council's assumed stock borrowing rate for three years, reviewable every three years, with the total cost under 8%.

The property has a rateable land value of \$285,000 and a capital value including the occupiers interests of \$1,306,000. This would be expected to increase with the sewerage network expansion. The capital values of the individual sites vary from \$15,000 to \$76,000. The first mortgage security would take precedence over the interests of any site occupier.

It is intended that payment of principal and interest will commence from the date of the loan advance on a table basis with equal instalments.

It is requested that the Council delegate to the Director of Finance the authority to determine the terms of the loan including variation to the principal sum by up to 20% to ensure the Council can be flexible in meeting the reasonable needs of the Association as the scheme develops. Prudent security and repayment conditions are to be included. The detail will have to be worked through with the Association's solicitor.

The source of funds will be Reserve Funds investments.

- Recommendation:**
1. That a loan of approximately \$150,000 be made to the Stewarts Gully Residents' Association to fund the sewerage reticulation on its property at Stewarts Gully.
  2. That the Director of Finance be delegated authority to determine:
    - (i) The final loan advance figure
    - (ii) The terms of the loan including repayment provision.

**Chairman's Recommendation:** That the above recommendation be adopted.