

22. 9 2011

10. ECOCOFFINS AND CREMATOR AT 25 HAWDON STREET CHRISTCHURCH

General Manager responsible:	General Manager, Corporate Services, DDI 941 8528
Officer responsible:	Acting Property Consultancy Team Leader
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PURPOSE OF REPORT

1. The purpose of this report is to update the Council following staff discussions with the owner of the Ecocoffins business located at 25 Hawdon Street, Sydenham and make a recommendation for Council consideration.

EXECUTIVE SUMMARY

2. At its meeting on 28 July 2011, Council resolved:

That staff be asked to discuss locating an alternative to the Hawdon Street / Buchan Street site for Ecocoffins business.

If the matter is not resolved that it return to Council for consideration.

In passing this motion Council note that the applicant has complied with all Council policies and rules relating to a consent for a Crematorium in 26 Buchan Street and should not be disadvantaged by this recommendation.

3. Discussions have been held with the Director of the Ecocoffins business and they have not rebuffed the Council's approach to discuss possible solutions to the Community Board's concerns however they would require to be fairly and justly compensated should a transaction be agreed upon. Initial investigations by staff indicate that there are no readily available alternative sites with a similar rent roll to the current site that could be quickly adapted for use by Ecocoffins. If Council resolved to incur the cost of altering an existing site in the gas reticulation area, it is likely that similar sensitivities would occur despite this being a permitted activity in the B3 zone.

FINANCIAL IMPLICATIONS

4. There would be costs associated with any buy-out and relocation of the Ecocoffins business. These are estimated at \$150,000 and there is no financial provision to fund such activity.

Do the Recommendations of this Report Align with 2009-19 LTP budgets?

5. No – there is no provision for such activity.

LEGAL CONSIDERATIONS

6. There are no specific legal restrictions by proceeding to undertake a buy-out to relocate the Ecocoffins business. Lease transactions, including any lease assignments, would follow normal legal process through the Council's Legal Services Team.

Have you considered the legal implications of the issue under consideration?

7. Yes.

ALIGNMENT WITH LTP AND ACTIVITY MANAGEMENT PLANS

8. There is no provision within the LTP that supports the Council concluding a transaction with Ecocoffins Ltd.

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Do the recommendations of this report support a level of service or project in the 2009-19 LTP?

9. Yes, as there is no such project considered in the LTP.

ALIGNMENT WITH STRATEGIES

10. Not applicable.

Do the recommendations align with the Council's strategies?

11. Not applicable

CONSULTATION FULFILMENT

12. The Council is not required in this instance to consult with the Community.

STAFF RECOMMENDATION

It is recommended that the Council not proceed further.

BACK GROUND

13. Ecocoffins has established in the B3 zone. They propose to install and operate a cremator. This activity is a permitted use in the zone and complies with the Council's City Plan. The company holds a discharge to air consent from Ecan. That consent was granted as non-notified as Ecan considered any adverse effects to be less than minor.
14. The Director of Ecocoffins advises that the new gas-fired incinerator is to be delivered from Auckland for installation within the next two to three weeks and will take no longer than 10 days to install then commission. All building alterations by then, including the installation of the 11 metre flue, will be complete. By the end of September they expect to be in a position to start accepting cadavers for cremation.
15. The site in question is a small inconspicuous industrial building fronting Hawdon Street that has been modified at a cost of around \$100,000 to suit the tenant's business activities and provides two off-street car parks. Staff were advised that up to four to five vehicles may require daily access, however, there is sufficient room to allow for a hearse to access the site, close the front gate then gain access to the building. There is no signage on the site nor is any proposed. Family cultural needs are able to be accommodated. Reticulated gas is supplied to the site and its availability was one of the key attractions of this site (Plan of Gas Reticulation in Sydenham).
16. Ecocoffins have a 12-year lease over the building at a rental of \$10,000 per annum for the first three-year period with a right of renewal for a further 12 years. In addition are the usual operating costs such as rates and insurances. This long term is to align with the 35-year ECAN discharge consent.
17. Associated with the cremation activities will also be the marketing to funeral homes of Ecocoffins. The coffins are, according to the information provided, environmentally friendly and made of rigid honeycomb recycled cardboard and paper with a wood grain veneer finish.
18. Ecocoffins have not rebuffed the Council's approach to discuss possible solutions to the Community Board's concerns however they would require to be fairly and justly compensated should a transaction be agreed upon.
19. Our initial assessment is that there are no readily-available alternative premises in the B3 Zone that are cost effective. A drive through Sydenham shows that there are very few properties available for lease and this lack of alternative site availability is also confirmed on numerous to lease web pages. Properties of this size and condition that reflect the relatively low rent roll of under \$15,000 are generally not available. This aspect could delay any relocation and then become a logistical matter especially if the business has commenced operation. The B3 zone allows for these activities and the B3 zone is the preferred zone of Ecocoffins.

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20. Any alternative building may well need conversion for the intended use and this would incur time delays and costs before the business activities can recommence. It is presumed that a Council Resource Consent may not be required although a new consent would be needed from Ecan. In addition there are limited areas in Christchurch that have reticulated gas available and this is shown on the attached plan. Any relocation would be governed by the availability of this supply.
21. If the Council decided to progress further dialogue seeking a relocation solution, it is estimated that it could well take up to six to seven months to relocate the business activities of Ecocoffins, and the establishment and marketing of the total business entity (Cremator and Ecocoffins) would be further delayed. Council would need to take over Ecocoffin's lease commitments and may incur a rental loss. There would be a liability of loss-of-business profits and usual practice would be to receive audited accounts and from this calculate the loss associated with delaying the commencement of the business. This is difficult to quantify in dollar terms especially as it is a new start-up business. It may well be in the region of \$45-\$50,000.
22. Other known or estimated cost would be:
 - (a) Agent's fees to relocate to an alternative premises – \$3,000.
 - (b) External Legal Fees to conclude an initial agreement as well as the establishment of any new lease estimated at \$3,500.
 - (c) Loss (estimated) by sublease of premises – ongoing for a further 11 years. Capitalised at \$1,000 pa or say \$10,000.
 - (d) Building cost upgrade – \$75,000.
 - (e) Cost to connect to Contact Energy Gas supply – \$15,000.
 - (f) Storage of plant and equipment Nil – leave at 25 Hawdon Street. Cost to relocate equipment \$1,000.
 - (g) Loss of profits – estimate say \$45,000.
23. It is considered that the cost to relocate the Ecocoffin business, estimated to be in excess of \$150,000, is not warranted given that this use can be established within the zone as of right and has minimal impact in comparison to many other activities that could establish, i.e. Panel Beaters, General Engineering Workshops, Fish Processing, Electro Plating, Power Coating and the like.
24. Any alternative site in the general Sydenham locality would generate the same level of sensitivities, especially as the use can be established in the B3 zone as of right.