



WHANGAREI
DISTRICT COUNCIL

Proposed Park Disposal Discussion Document

June 2009



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1 Background

Council has received an offer to purchase land situated near Okara Park for potential re-development as a large scale commercial site focussing on 'big-box' retailing. The legal description of the properties to which the proposal relates is the Area comprising 5.8111 hectares more or less being:

- i All lot 1 DP 131686 as comprised in CFR NA77A/710 (the property currently leased to the Old Boys Rugby Football Club); and
- ii Part lot 3 DP 208275 (being part of the land in CFR 110705) and being that part of the Okara block identified as lot 1.

The properties under consideration are shown in yellow in figure 1, for simplicity they will collectively be referred to as 'the land' in this document.

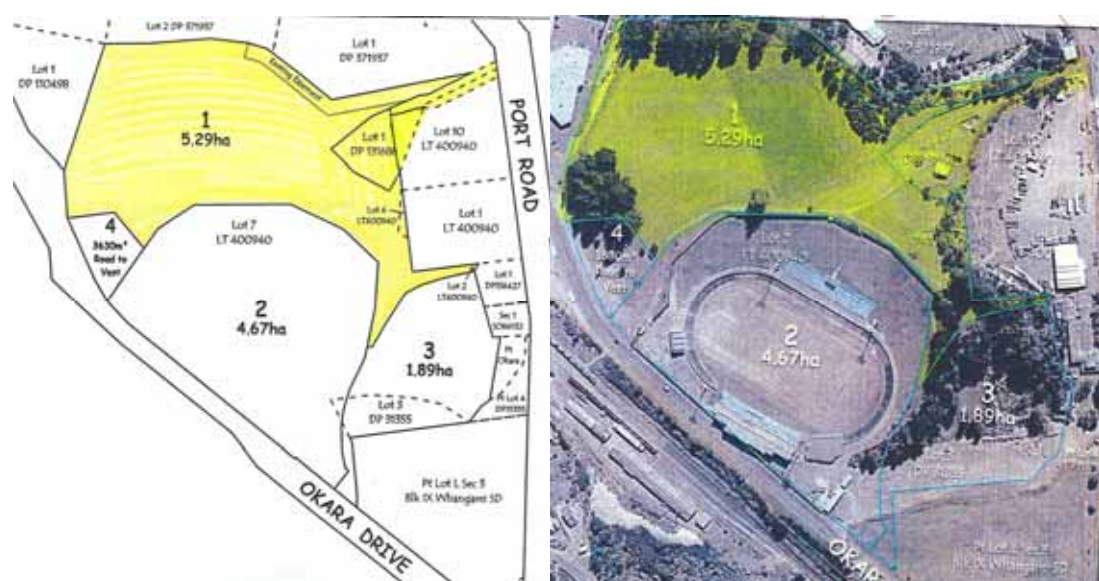


Figure 1: Excerpts from plans showing the land being considered for disposal

Council is committed to undertaking public consultation before making any agreement for sale of the land. This document discusses details of the proposal before outlining opportunities for public input into the consultation process.

Currently the land is primarily used as the playing fields for Old Boys Rugby Football Club (Old Boys). They have a long history with Whangarei rugby, being one of the dominant clubs for many years. Their clubrooms, which are also used for social functions, are owned by Old Boys on land leased from Council. While the lease expires in June 2010, Council would work with Old Boys to relocate them to another site if the sale proceeds.

2 Details of the Proposal

BWH Properties Limited (BWH), a consortium headed by Hill Construction Limited, has offered to purchase the land for \$20,000,000 plus GST (if any), subject to various conditions which mainly relate to confirming the suitability of the land for retail development and gaining the required land use consents. This purchase price is more than twice the current market value of the land if it was converted to commercial, rather than recreational, use.

BWH intend to develop a large scale shopping mall, with extensive undercover parking and a wide variety of retailers. The development would concentrate large scale retailing in the Okara area and it is proposed that physical links will be established with the existing neighbouring developments. Specific details regarding the development and its tenants cannot be disclosed at this time as negotiations between BWH and their commercial tenants cannot be concluded until Council has agreed to sell this land (if this is the decision made following this consultation). However, they have given an undertaking that the development will be to international standards and that they have secured commitments to bring new retailers to Whangarei.

If the proposal were to proceed it would include the provision of car parking for use by the Northland Events Centre when required. A covenant would also be put into place to ensure that nothing compromises signage issues or allows unauthorised viewing of events at the Northland Events Centre.

In order to provide certainty regarding future use of the property covenants would also be placed on the land restricting use to commercial/retail activity.

As well as the direct financial benefits the proposal offers, the development itself will create employment opportunities with positive impacts for the district. By attracting new retailers the development would also help to limit the leakage of retail spend outside the district, adding further economic stimulus.

The final development would also produce additional rating revenue.

In addition this proposal would help to consolidate big-box retail activity in this area, which is consistent with the overall objectives of 20/20: Living the Vision (Council's long term strategy for development of the CBD) and the draft structure plan for the area.

After taking all these issues into consideration, the proposal is considered worthy of presentation to ratepayers.

2.1 Consideration of Other Options for use of the Land

There are other potential uses for this land which are compatible with Council's overall policies and strategic priorities, including:

- Retaining the land for recreational use
- Sale of the land on the open market
- Developing the land prior to sale, either by Council, or in partnership with a property developer
- Selling the land to the proposed purchaser by private treaty (this proposal)

Retention of the land for use as sports fields or other recreational uses needs to be considered. Reducing the number of sports fields in the District presents some issues as demand for recreational facilities is expected to increase as our population grows. However, this can be offset by the development of additional facilities within the district using part of the sale proceeds. If disposal of the land is approved following consultation it is proposed to use part of the proceeds to assist in the relocation of Old Boys to an alternative site prior to the expiry of their lease.

While sale on the open market offers the benefit of being a completely open and transparent process that arguably helps to set the 'true market value', it would not necessarily result in development of the nature sought in this area within an acceptable timeframe.

Council could also choose to develop the land itself, and then sell it to interested parties at a later stage. However, this would expose ratepayers to commercial risk and is not an activity that Council currently engages in. While this risk could be mitigated by entering into some form of development agreement or joint venture with a third party, there would have to be substantial financial benefits to make this a viable option.

In the proposal under consideration, a substantial premium above current market value has been offered for sale by private treaty. While it can be argued that other parties may potentially offer a higher price, this must be tempered with the chances of any purchaser completing the transaction following their due diligence and meeting other conditions such as obtaining resource consent and gaining the necessary commitments from commercial tenants. While sale by private treaty (as outlined in this proposal) causes some conflict with public expectation that any disposals of Council land should be via an open market process this can potentially be offset by the certainty offered by this particular proposal.

3 Consultation Process

While not held as a reserve the land is currently used for recreational purposes and is considered to be a 'park' under section 138 of the Local Government Act 2002 (LGA). Council is committed to public consultation before making any agreement to sell the land.

While the land is not held as reserve the Reserves Act 1977 sets out a process for the disposal of reserve land. By and large this is also considered to be an appropriate process to apply to the sale of land subject to s138 of the LGA and requires Council to:

- Give public notice of the proposal detailing the reason or reasons for the proposal
- Allow one month for submissions to be made
- Formally consider submissions

While a hearing is not specifically required under the Reserves Act 1977 Council intends to give submitters the opportunity to be heard. Submissions received and heard will then be formally considered by Council with a final decision being made by Council resolution.

3.1 Direct Stakeholder Consultation

In addition to the above public consultation process Council has identified parties that could potentially be affected by the proposal. As a result of this direct consultation will be undertaken with:

- Maori
- Old Boys Rugby Football Club
- Whangarei District Rugby Union
- Northland Rugby Union

Direct consultation will also be undertaken with adjacent property owners and commercial operators where they can be readily identified and contacted within the consultation period.

Specific regard will be had for issues affecting Maori as well as ensuring that there is direct engagement during the consultation process.

The outcomes of all consultation will be considered by Council in reaching a decision on the proposal.

3.2 Matters not Considered during Consultation

It is important to note that this consultation process can only consider the proposed disposal of the land.

If following public consultation disposal of the land is approved it would be necessary to commence a subdivision process. This would be necessary in order to create separate lots for;

- Land to be sold
- The Northland Events Centre
- The roundabout providing a link to the proposed Porowini Avenue extension.

While an excerpt from a draft plan of subdivision has been included in order to provide a graphic representation of the proposal (Figure 1) this is indicative only. Any subdivision would be subject to a separate process under the Resource Management Act 1991 (RMA) with the effects of subdivision being considered at that time.

Likewise due to the open space zoning of the land re-development as a large scale commercial site would require BWH to pursue a land use consent under the RMA with the effects of development being considered at that time. Specific details of the consent are not available at this time as it is impractical for BWH, as the potential developer, to invest in detailed design planning unless ownership has been secured. However, as noted above, in order to provide certainty to the public regarding future land use it is proposed that, if the sale is approved covenants will be placed on the land restricting future use to commercial/retail activity.

3 Summary

The proposal offers potentially significant benefits to the district. As well as providing a financial injection (the net sale proceeds) there are ongoing economic benefits available through increased employment, retail activity and rating income from the developed site. These benefits and the provision of alternative recreational facilities can be seen to offset any potential adverse social impacts of the proposal.

Public submissions are sought on the proposal in order to enable Council to make a decision. The proposal will be notified in the Leader on 23 June 2009 with submissions being open from 23 June 2009 to 24 July 2009.