

PURCHASE OF LAND FOR CEMETERY**APIRANA ROAD, HOROHORO****Purpose**

The purpose of this report is to investigate options and make a recommendation for purchase of land for cemetery purposes.

Recommendation

THAT COUNCIL APPROVES THE PURCHASE OF LOT 4 DP 374372 FOR UP TO \$1.2 MILLION.

Executive Summary

Staff have been investigating options for extending Rotorua city's current provision for cemetery space beyond 2012 – 2016. This is when the Kauae Cemetery is expected to reach capacity in the public burial section. It is considered that the best means of providing sufficient capacity for the long term in a cost effective manner is by the purchase of a property at 315 Apirana Road, Horohoro.

Background

Council currently owns and operates four cemeteries (Rotorua, Ngakuru, Reporoa and Mamaku). However, the majority of burials (100 to 120 per annum) are carried out at Kauae Cemetery which is vested in and managed by the Kauae Cemetery Trust Board. There is an estimated 6 to 10 years capacity for burials in the public section at Kauae. Although there are many years remaining in the three rural cemeteries, Rotorua Cemetery is virtually closed other than for children's and RSA burials.

For this reason, Council staff have for a number of years been looking at various options for providing for burials well into the future. This has concentrated so far on extending the Kauae Cemetery with further acquisition of Ngati Whakaue Tribals Lands Inc. land. However, recent indications are that the land owners place a high premium on the land, and expect a great deal more than the current market value. This places the land beyond Council's means, particularly as no funds have been set aside for its purchase. This is because previous discussions indicated that the owners would be prepared to allow free use of the land for cemetery on the basis of nil cost to Ngati Whakaue descendents. This no longer appears to be an option.

For this reason staff have been looking more seriously at existing areas of reserve land and/or purchase of rural land for a cemetery. Such land needs to be elevated, free draining, reasonably flat or of gentle contour, with stable soils that provide easy digging to 2 metres depth, and within about 15 minutes easy drive of Rotorua city. The area of land required depends a great deal on how much is suitable, and how far into the future the cemetery needs to provide for, but somewhere between 8 to 15 hectares has been sought.

Staff have considered use of part of Centennial Park to the east of Mokoia Drive, recreation reserve currently used by the Mokoia Pony Club for grazing, dressage etc. The total area of land in this area is 7.5 hectares (including an area of reserve vested in DOC), and is a mixture of flat and moderate to steeply sloping ground. Although Council already holds this land, its change of use to cemetery would be likely to attract considerable objection, and could ultimately be prevented by the Department of Conservation. In addition, the land has limitations in terms of its current occupancy, topography and available area.

The availability of medium sized rural blocks is very limited, with most rural land in the Rotorua basin being either too small, too steep, too wet, too far away or not for sale. Similarly, land to the south of the Hemo gorge is limited by ownership (much is Maori or Crown land and cannot be alienated), topography, distance and current use (forestry).

Options for provision of additional cemetery land

1. Ngati Whakaue land at Kauae Cemetery



Although this has been the favoured option to date, recent discussions with the Chairman and CEO of Ngati Whakaue Tribal Lands Incorporated indicate that owners are not willing to sell land unless they can realize its future potential subdivision value. They are willing to look at land exchanges rather than a cash sale, but would only be interested in land that has a commercial value. An example would be the Sala Street leases which are currently returning 6.5% to Council, and therefore there would be little benefit to Council in this arrangement. Alternatively they have indicated an interest in being granted favourable commercial development opportunities over reserve lands, perhaps the lakefront. However this is not favoured as it clouds commercial considerations with issues of governance and is unlikely to be able to be achieved in a way that satisfactorily meets the obligations of transparency under the LGA 2002. It also conflicts with Council's role as administering body of these reserves under the Reserves Act.

The NWTL Inc anticipate a value of around \$500,000 per hectare for the land adjacent to the Kauae Cemetery based on what they consider its future development potential to be. This would result in a value for 10 hectares of around \$5 million. A registered valuation of the land in May 2006 gives a current value of the land for rural purposes (consistent with its zoning) of \$30,000 to \$40,000 per hectare, or between \$480,000 and \$600,000 for lifestyle blocks ranging from 5.5 to 11.3 hectares.

It appears increasingly unlikely that the landowners and Council will be able to come to an agreement on the value of this land. Therefore this option is not recommended.

2. Centennial Park – Mokoia Drive

The main advantage of this option is that Council already owns the land, and there would therefore be no purchase required. However, part of the land is vested in Council as recreation reserve, and the remainder is owned by DOC, with Council having control and management. This reserve land is one of the areas identified in the Ngati Whakaue Gifted Lands Policy, and therefore would be returned to Ngati Whakaue if deemed to be surplus, or if the use changed to one that was not consistent with the Fenton Agreement.



However this may not be an insurmountable hurdle as it could be argued that the need for reclassification from recreation to cemetery reserve is because previous cemetery reserve (at Sala Street) has been made into recreation reserve, and that this is simply the (belated) second stage of an exchange process.

There are a number of other hurdles to overcome if this land is to be used as cemetery, including resource consent (cemeteries are non-complying in the Reserve zone and discretionary in the Rural A zone), a change in classification and the need for the consent of DOC and Ngati Whakaue. These factors combined with the limited area and less favourable terrain make this option costly in terms of time, public objection, development costs, and potentially iwi relationships. Therefore this option is not the favoured option.

3. 315 Apirana Road

Recently a 41 hectare block of rural land has come on to the market at 315 Apirana Road. The land is mostly flat, and is dissected by a series of gullies that drop in an easterly direction to a lower level adjacent to the Pokaitu Stream. It has been estimated that the block is 70% mowable. There is around 13.5 hectares of elevated flat land immediately adjacent to Apirana Road, and within about 15 minutes drive of Rotorua Cemetery along SH30. This would provide for an estimated 200 years of burials, with further land within the block available in the future if required.

The land has its own water supply in the form of a number of springs, the largest of which has been piped and is subject to a water supply easement in favour of a neighbouring lifestyle lot. The flow from this spring is considerable, and appears to be from a deep aquifer as it flows constantly all year round. There are several small forestry woodlots on the property planted in radiata and eucalypts.

The vendor has this block on the market for \$1.2 million, but indications are he would accept around \$1.1 million. He has also had an offer from a neighbouring landowner who wishes to purchase the elevated flat land adjacent to Apirana Road, i.e. the land most easily developable for cemetery purposes. This however would be subject to subdivision of the property. The vendor would prefer to sell the entire property rather than go through a subdivision.

The vendor has indicated that when he sells, he would be willing to lease the land back as dairy grazing for the foreseeable future. This would be worth around \$24,000 per annum in revenue. He would also want to place an easement over the land prior to sale to protect his use of the spring water supply as a backup supply for his remaining farm.



Development options

If Council were to acquire the land, there are two main options for its use and development.

1. Retain the entire block and lease it for grazing until required.

The vendor has indicated that he would like to retain the use of this land for grazing to support his dairy operation on the other side of Apirana Road. The value of grazing land is \$500 to \$600 per hectare, and staff have been advised that he is prepared to pay the upper value. This would bring in the vicinity of \$24,000 per annum, with the lessee responsible for application of fertilizer, weed control etc.

The gullies and lower flats that are unsuitable for burials have potential for development as parkland, or for sponsored memorial trees in the same manner as the Rotorua Tree Trust, or for forestry planting. The lower flats also give access to the Pokaitu stream that would be otherwise unavailable. Although there may be little immediate demand for this sort of rural parkland, in the anticipated life of the cemetery (200+ years) this is likely to change.

2. Subdivide out sufficient land for cemetery and sell the remaining area

There is around 19 hectares of land on the top flats (including one major gully system). This is the same area that the neighbour is interested in purchasing. This area would be sufficient for cemetery purposes for at least 200 years on current indications. Access could be provided from Apirana Road to the remaining land to the east which contains the gullies, springs and stream frontage. This area has several potential house sites, and would sell easily as a large lifestyle block for around half the asking price for the entire block. This would allow Council to keep sufficient area for cemetery for an outlay of around \$0.6 million. However, this would reduce Council's future options, and is therefore not recommended in the short term.



Risk Assessment

There are a number of risks associated with purchase of this land.

1. Subsoil investigations may prove the land to be largely unsuitable for burials. Although the soils appear to be a deep Taupo pumice layer with no obvious pans or rock intrusions, a thorough series of bore tests and soil profiles will need to be completed. A preliminary investigation has been arranged and is due to be completed before 20 December, thus reducing this risk.
2. There may be overwhelming objection to resource consent for development and operation of a cemetery. This is a possibility no matter where the cemetery is located, and is a much lower likelihood in rural Horohoro than in the urban area if Council were to utilize an existing reserve such as Centennial Park. It should also be noted that any property in the Rotorua Lakes catchment area will be subject to Environment Bay of Plenty's Rule 11 for nutrient discharge. This property is in the Waikato region so will not be subject to the same rules.

It is highly unlikely in the current real estate market that a vendor would sell subject to resource consent for a discretionary activity. Therefore Council will need to take the risk at the time of purchase that resource consent can be granted for a cemetery. If Council is to purchase land, this will be the case no matter where the cemetery is located.

3. There may be overwhelming public objection to the establishment of a cemetery around 20km from Rotorua city. However, in other cities, this sort of distance is the norm, and

avoids the use of valuable land close to urban areas for uneconomic cemetery purposes. In the absence of any suitable alternative closer to town, it will be necessary to travel further in the future. Also, this option provides for a very long term of future use, by which time Rotorua District will be a very much more populated area.

The vendor does not expect settlement until August 2007, giving staff eight months to do a thorough investigation and design, and get well through the resource consent process. If it proves impossible to use the land for cemetery purposes, it should not be difficult to sell the land. In the meantime it can be earning an income (albeit small – around 2%).

There will be holding costs associated with owning the land including rates (estimated at \$2500 to \$3000 per annum), and woodlot management. Basic farm maintenance costs e.g. fertilizer, weed and pest control, minor fence and water supply maintenance will be the responsibility of the lessee.

Funding

There is currently no provision in the LTCCP for this purchase. Although this decision doesn't meet the threshold of significance, being less than \$2 million, it is however a strategic purchase in terms of providing cemetery space for current and future generations.

Council is currently receiving \$126,600 per annum in rentals from the commercial leases of ex-cemetery land on Sala Street, and a further \$14,000 per annum from the Action NZ lease of Cemetery reserve on the opposite side of Sala Street. This lease rental was previously reserved for purchase of cemetery land, but the reserve fund was disestablished and the funds absorbed into the general fund when the previous District Manager sought to negotiate an agreement with Ngati Whakaue Tribal lands for the extension of the Kauae Cemetery. There is therefore good justification for the use of this revenue to service a loan for purchase of this land

Charles Roberts
Director, Community Services