

Property Sub-Committee

28 August 2014

Report for Agenda Item 3

Operations

Proposed New Lease – Rockgas LPG Storage, Aubrey Road, Wanaka

Purpose

- 1 That the property Sub-committee approve the lease of land at Aubrey Road, Wanaka, to Rockgas Limited for a fixed term.

Recommendation

1. *That the Property Sub-Committee:*
 - a. **Approve** APL to finalise terms of a six year lease at Lot 984, DP 413111 with the option for the Property Sub-Committee to extend for periods of six years up to a maximum period of thirty years.
 - b. **Approve** rental charges of \$6,500 + GST per annum with rent reviews conducted three-yearly from the date of commencement.
 - c. **Authorise** this report and resolution to be made available to the public as part of the next Mayor's report to Council.

Advice Prepared by:	Report Advice Reviewed and Recommended by:	Reviewed and Authorised by:
		
Property Manager	Commercial Manager	General Manager, Operations
15/07/2014	27/08/2014	27/08/2014

Background

- 2 Lot 984, DP 413111 was developed in 2008. Rockgas obtained resource consent RM081301 for an underground gas storage facility at this location.
- 3 The land was vested in Council in 2009 after subdividing. At the time the land was vested, it was noted that there was an above ground gas bottle storage facility on site.
- 4 The facility was identified and negotiation commenced between Rockgas' parent company Contact Energy and APL to formalise the use and landowner consent to vary the terms of the resource consent RM081301 to allow an above ground gas storage facility.

Comment

- 5 The proposed lease site was set aside and classified to provide a hub for gas reticulation services for the Riverside Park subdivision.
- 6 Given the classification of the reserve, APL recommends that the lease is appropriate for the site, and has negotiated terms with Contact Energy property staff.
- 7 The classification also means that public notification of the intention to grant a lease is not required.
- 8 The renewal dates are scheduled to be on the 30 June 2020, 2026, 2032, and 2038. Final expiry date would be 30 June 2044 subject to all renewals being exercised by Council.

Financial Implications

- 9 A registered valuation was undertaken by APL to ascertain a market rate for this lease. The annual market rate was determined to be \$7,500 + GST, this value was subsequently negotiated by APL to \$6,500 + GST.
- 10 Annual rent of \$6,500 + GST payable by equal quarterly instalments in advance on the first day of July, October, January and March in each year commencing on the rent commencement date of 1 July 2014.
- 11 A credit of \$3,250 + GST will be granted for the first years rent in lieu of Rockgas installing a road crossing and gate for access to the Local Propose Reserve.
- 12 Rent reviews will be held every three years commencing starting from the 30 June 2017 and will be based on a Registered valuation of CPI adjustment of the land, whichever is the greater.

Local Government Act 2002 Purpose Provisions

- 13 The LGA purpose provisions (ss10, 11, 11A) have been considered and are relevant to this decision under the classification of Activity, local public services. This decision involves the continued use of Council land for the purposes of serving the needs of ratepayers, through the planned provision of reticulated gas services, as was intended at the time the subdivision was developed.

Council Policies

14 The following Council Policies were considered:

- Vehicle Crossing Policy
- District Plan

Attachments

A Report from Property Manager, APL

B Maps of Lot 984, DP 413111



Property, Project, Resource Management, Valuation

APL Property Queenstown Ltd

Level 1, 50 Stanley Street
P O Box 1586
Queenstown 9348
New Zealand

t: + 64 (3) 442 7133
f: + 64 (3) 442 7863
e: queenstown@aplproperty.co.nz
www.aplproperty.co.nz

PROPOSED NEW LEASE – AUBREY ROAD ROCKGAS LPG GAS STORAGE FACILITY

Report to: Myles Lind

From: Dan Cruickshank, APL Property

Date: 15 July 2014

This report should remain public excluded until such a time as a lease is approved or declined.

Background

Council owns a block of Local Purpose Reserve (Utility) adjacent to 992 Aubrey Road, Albert Town. The legal description is Lot 984 Deposited Plan 413111. The certificate of title is 448734 and the area is 750 square metres. The land is classified as local purpose reserve pursuant to the Reserves Act 1977, and is zoned Open Space Zone under the District Plan. The rateable value of the land is \$15,000.

In 2008 the developer enabled Rockgas to obtain resource consent for an underground gas storage facility onsite und RM081301. Later the land was vested in Council upon subdivision by the developer in 2009. At the time it was vested, it was not noted that there was already a gas bottle storage facility on site.

The facility was subsequently identified and negotiations commenced with Rockgas' parent company Contact Energy regarding formalizing the use and landowner consent to vary the terms of the Resource Consent to allow an above ground gas storage facility.

Discussion

Whilst the facility has not been previously approved by Council, it is clear that the site was set aside and classified accordingly to provide a hub for gas reticulation services to the 200+ properties within the Riverside Park subdivision.

Given the classification of the reserve, we believe that the lease is appropriate for the site, and therefore have concentrated on negotiating terms with Contact Energy property staff. The classification also means that public notification of the intention to grant a lease is not required.

Resource Consent has also been previously granted for gas storage on the site, albeit for underground tanks. Contact will be required to vary this consent to retrospectively gain approval for the above ground gas storage, likely to take into account the visual impact as one of the main planning considerations. The setting chosen for the tanks is of interest as they are moderately concealed from passing traffic by native bushes.



Given the uniqueness of the permitted use, a registered valuation was considered the best means to ascertain a market rate for this lease. \$7,500+GST per annum was recommended by the valuer, subsequently negotiated to \$6,500+GST.

If the lease is approved, Rockgas wishes to install a new vehicle crossing onto neighbouring Lot 997 DP463085 which is Council Recreation Reserve. This provides much more direct access to the gas storage facility and makes use of an existing easement channel in favour of Rockgas, that gives access through the Reserve to the lease lot.

Given the commercial nature of the facility, and the importance of it to the Riverside Park development, a long lease of 30 years, subject to renewals and market rent reviews is considered appropriate.

Proposed Lease Terms

Tenant	Rockgas Limited
Premises	QLDC Local Purpose Reserve (Utility) at Aubrey Road, Wanaka
Site	Storage and distribution of LPG to Riverside subdivision, Wanaka shown on plan attached, comprising 97.3m ² approx.
Lease Commencement Date	1 July 2014
Lease Term	6 years + 6 years + 6 years + 6 years + 6 years.
Annual Rental	\$6500.00 plus GST payable by equal quarterly installments in advance
Quarterly Rental Payments	\$1625 plus GST per quarter
Rent Payment Dates	The first day of July, October, January and March in each year commencing on the rent commencement date
Rent Commencement Date	1 July 2014
First Years Rent Waiver	\$3250 +GST credit to rental payments in lieu of installation by Rockgas Ltd of road crossing and gate for access to the Local Purpose Reserve.
Rent Review Dates	3 yearly commencing on 30 June 2017



Rent Review basis	Registered valuation or CPI adjustment whichever is the greater – CPI based on average of previous three years CPI as at 30 June each year – subject to ratchet clause
Renewal Dates	30 June 2020, 2026, 2032, 2038
Final Expiry Date	30 June 2044 (subject to all renewals being exercised)
Outgoings	Currently Nil
Other contributions	Rockgas Limited will obtain Council roading approval for and install an approved road crossing and locked gate from Aubrey Road to the lease area. Work to be completed during first 6 month term of this lease (subject to QLDC approvals being rec'd). Maintenance of the access way and facility. Comply fully with planning requirements under the Queenstown Lakes, District Plan.

Options

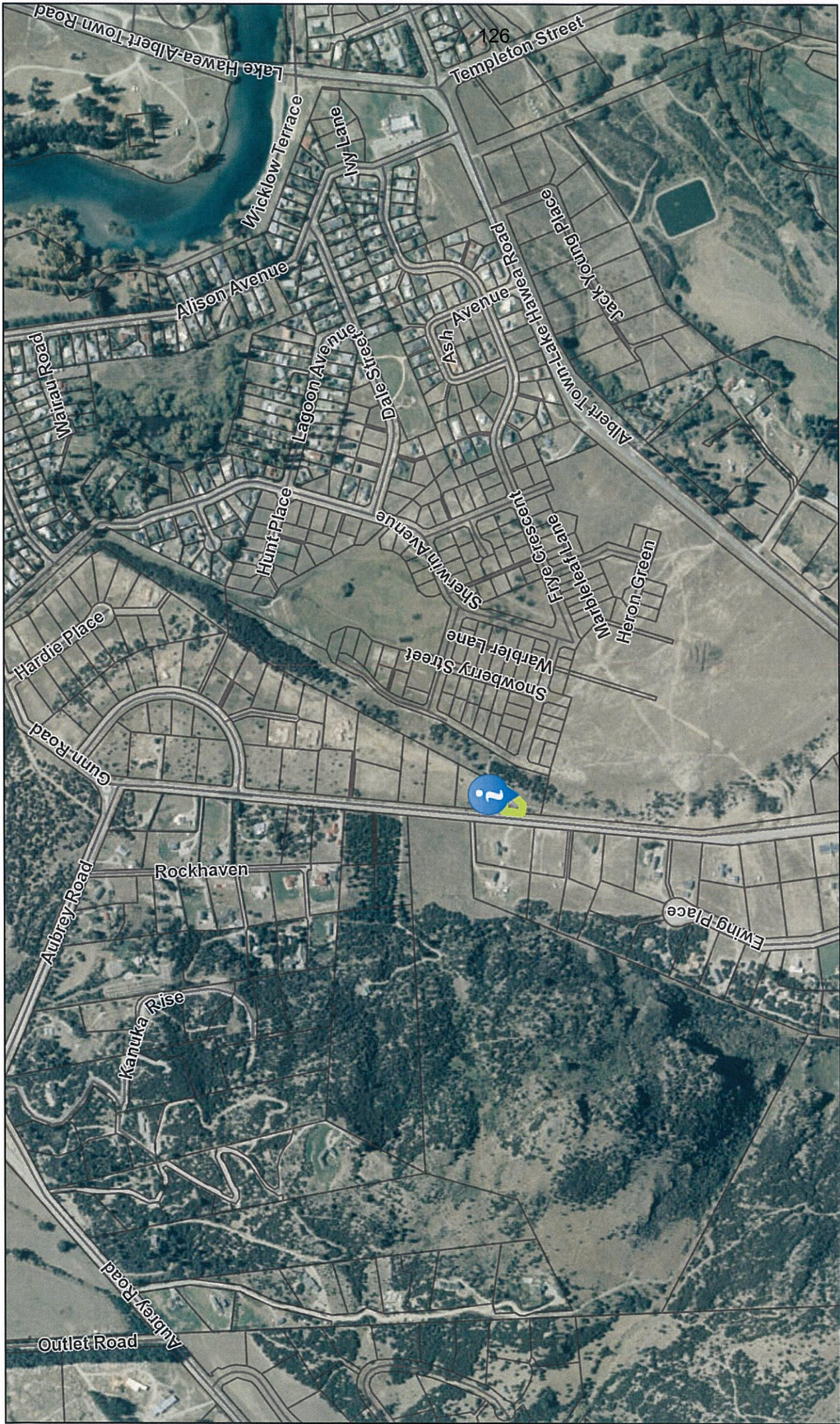
1. To agree to grant a lease to Rockgas Ltd over Lot 984 Deposited Plan 413111 subject to the terms and conditions above, with final terms and conditions to be agreed under delegation by the General Manager, Operations; or
2. To agree to grant a lease to Rockgas Ltd over Lot 984 Deposited Plan 413111 subject to different terms and conditions; or
3. To decline to grant a lease and request the removal of this facility by Rockgas; or

Recommendation

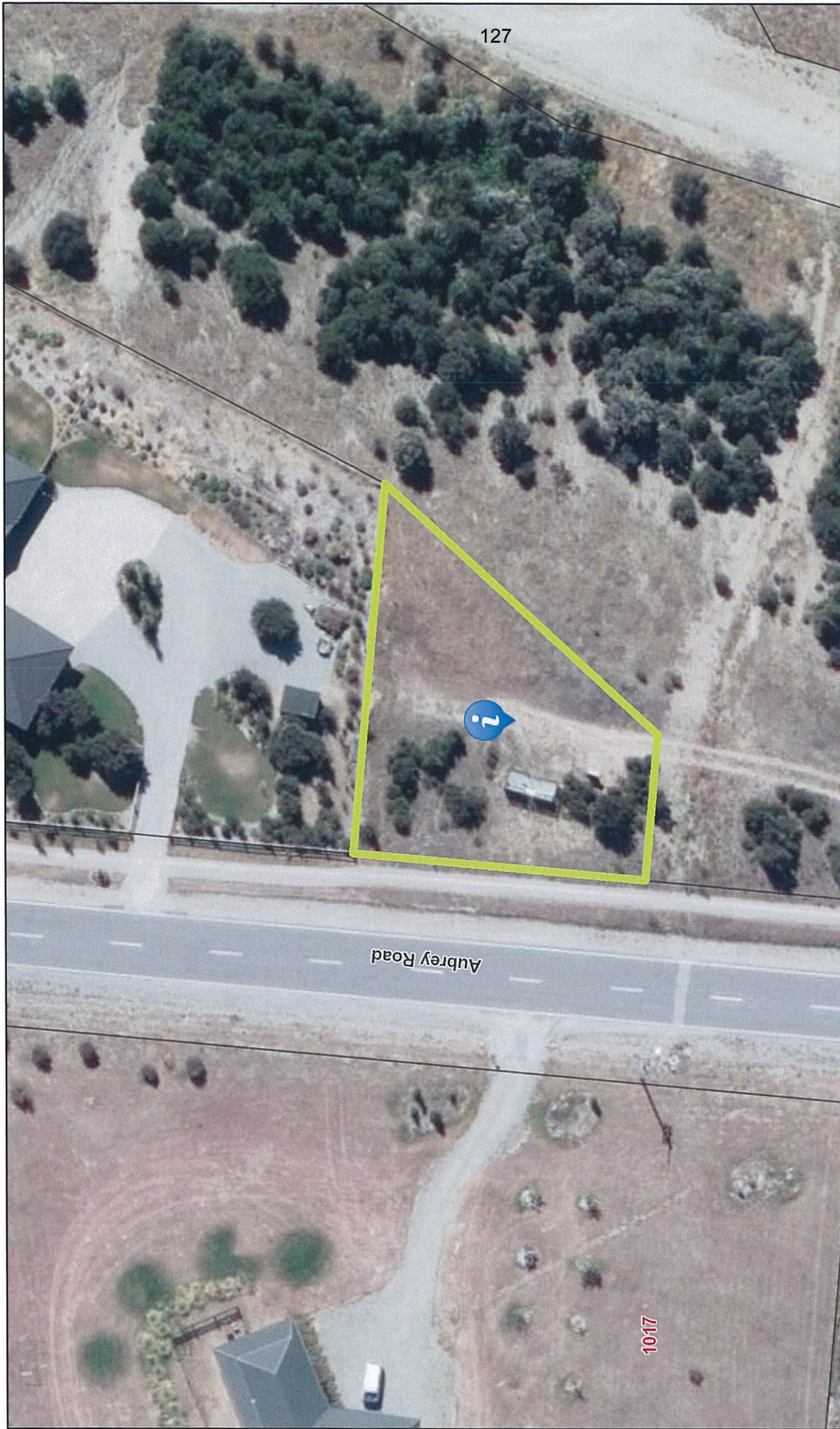
That the proposal to grant a lease to Rockgas Ltd over Lot 984 Deposited Plan 413111 be approved subject to the terms and conditions above, with final terms and conditions to be agreed under delegation by the General Manager, Operations;

Attachments

- A Proposed site plan



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