



REPORT 4
(1215/52/IM)

PLACING LAND INTO THE PERMANENT FOREST SINK INITIATIVE AND REVOCATION OF PREVIOUS RESOLUTION TO DISPOSE OF LAND

1. Purpose of Report

The purpose of this report is seek the Committee's approval to revoke (in part) a resolution passed by Council in April 1999 (refer to Appendix 1 for the minutes of that resolution), which directed officers to sell surplus Council-owned land known as ex-Kilmister Land (the **Land**). It is also recommended that the Committee agree to register the Land into the Permanent Forest Sink Initiative (PFSI) if the 1999 resolution is revoked.

2. Executive Summary

In April 1999, the Council agreed to dispose of surplus land being part of the Kilmister Station that it had recently acquired (see the land highlighted in blue in the map attached as Appendix 2). The Land was acquired as part of the purchase of Kilmister Station, which saw Kilmister Tops added to the Council-owned portion of the Outer Green Belt.

Attempts to close a profitable sale with an adjoining owner were unsuccessful. Interest was limited to one tender and the price resulted in costs that outweighed the sale revenue.

It is recommended that the Land should be removed from the disposal list and retained in Council ownership for the long-term. The area is steep, exposed, remote and land-locked so sale prospects will remain limited. There are limited economic uses for the Land including grazing, forestry and wind-energy. The Land is currently reverting back to native forest with a few pockets containing high ecological values. In addition the historic Maori trail linking Otari to Makara Beach is thought to pass through this land. Part of the Land sits within the Outer Green Belt and the Land fits generally within the Council's open space network.

If this Committee agrees to revoke the Land's 1999 disposal resolution and retain it for the long-term, it is then recommended that the Land be registered into the PFSI scheme. The Council has until 31 December 2012 to register any additional land into the PFSI in order to obtain five years' worth of carbon

credits from 2008-2012. The decision to place the land into the PFSI would result in greater financial gains compared to a sale.

3. Recommendations

It is recommended that the Committee:

- 1. Receive the information.*
- 2. Recommend that the Council revokes that part of Resolution Clause 5 of ITEM 027/99F (1215/28/IM) (REPORT 6) dated April 1999 that relates to "Kilmister Block" and the "surplus ex Kilmister land" (refer to Appendix 1 for the original resolution).*
- 3. Recommend that the Council agree that the Council register the land areas identified referred to in recommendation 2 into the Permanent Forest Sink Initiative (PFSI) scheme.*
- 4. Delegate to the Chief Executive all the authority necessary to finalise agreement with the Ministry of Primary Industries for registering the land in Appendix 2 into the PFSI.*
- 5. Note that Council has until 31 December 2012 to register any additional land into the PFSI in order to obtain five years' worth of carbon credits from 2008-2012.*

4. Background

In March 1999, the Council purchased the 270ha Kilmister Station from Brian Kilmister. Kilmister Tops was subsequently added to the Council-owned portion of the Outer Green Belt. The Land highlighted in blue in Appendix 2 (approximately 114 ha) was identified as surplus and Council directed officers to sell the Land.

Initially, Council negotiated with Meridian and Otari Farms on a land-swap deal involving the Land. However, these negotiations were unsuccessful and in 2010 a select tender process was initiated to sell the Land. The Land was offered to all four adjoining landowners. The Council received only one tender offer, which did not cover the Council's legal and survey costs to complete the transaction. Officers did not agree to the offer.

The area is steep, exposed, remote and land-locked and officers believe sale prospects will remain limited for the foreseeable future as it can realistically only be sold to one of the adjoining owners. There are limited economic uses for the Land including grazing, forestry and wind-energy.

The Council is currently managing the Land as reserve and it is reverting back to native forest with a few pockets containing high ecological values. The Land can be accessed by foot along the access roads used to maintain Transpower's high voltage network.

5. Discussion

5.1 Recommendation to rescind disposal notice

Officers believe that the likelihood of a profitable sale in the short or long term is highly unlikely based on the issues outlined in the section 4. Though the area is west-facing and is not immediately visible from the Wellington urban areas, part of the Land sits within the Outer Green Belt and the retention of the Land will add to the Council's existing open space network.

If the Council agrees to retain the land in the long-term, it is prudent to revoke the original 1999 Council resolution to sell the surplus Kilmister land. This will ensure that the land is retained in Council's open space network.

5.2 Recommendation to register the land into the PFSI scheme

The Land in Appendix 2 is all eligible for the PFSI. When the Land was declared surplus in 1999 the PFSI scheme did not exist so this was not an option for the Council to pursue.

Given that sale prospects would result in a loss to Council, officers believe that placing the Land into the PFSI will result in greater financial benefits in the short and long-term. In addition, the PFSI scheme is complementary to the Council's biodiversity and restoration objectives.

5.2.1 Options

The options available to Council for this Land are:

1. Continue to pursue for a sale
2. Retain the Land with existing management practices
3. Retain the Land with existing management practices and apply to put the Land into the PFSI
4. Retain the Land with existing management practices and apply to put the Land into the ETS

It is recommended that Council pursue option 3 and register the 114 hectares of land in the PFSI. This is consistent with previous Council decisions relating to its open space land that meets the PFSI eligibility criteria. Other benefits and reasons for registering the land in the PFSI include:

- better financial benefits compared to the sale option
- Kilmister Top reserves and adjoining land already have PFSI covenants in place
- placing the Land into the PFSI is consistent with objectives in climate change, biodiversity and restoration
- the PFSI scheme provides Council with a source of revenue, which reduces rates-funded reserve management costs
- ability to trade in the voluntary carbon market, which is not an option available to Council if it put the Land into the ETS

- there is potential to receive a price premium for PFSI carbon credits (which have social and environmental benefits associated with volunteer groups and biodiversity restoration) compared to the ETS carbon credits acquired
- the risks and costs associated with entering land into the PFSI are relatively low and are outweighed by the benefits
- the Council needs to register land in the PFSI by 31 December 2012 in order to claim five year's worth of carbon credits form 2008-2012.

5.2.2 PFSI covenant process

The PFSI scheme involves placing a protective 'forest sink' covenant on forests (native or exotic) that are established after 31 December 1989. The covenant is a 50-year agreement between the Crown and the landowner to protect and enhance forest growth. In return for the forest protection, the landowner receives tradable carbon credits¹ annually for the carbon dioxide stored in the forest. If any forest is removed (i.e. through fire or harvesting) the landowner has a legal obligation to pay back carbon credits equivalent to the carbon lost and restore the forest.

Landowners have until 31 December 2012 to register land into the PFSI in order to get five years' worth of carbon credits (2008-2012). Landowners can register after this but they will only receive carbon credits from 2013 onwards. The Council has registered over 1,270 hectares of forest land into the PFSI and in September of this year this Committee agree to register a further 111 ha.

5.3 Costs and benefits

Table 1 below provides an overview of the net benefit of joining the PFSI. The table shows that even with a relatively low carbon price, it is financially beneficial to Council to register the land in the PFSI.

Table 1: Costs and benefits of PFSI Option

Costs	Application	\$500
	Emission return fees	\$180
	Field measurement	\$3,000
	Sub-total	\$3,680
Benefits	Carbon credits accrued from PFSI (2008-2012) at \$7/tonne	(\$12,075)
	Estimated value of voluntary credits from PFSI	(\$15,000)
	Sub-total	(\$27,075)
Net		(\$23,395)

¹ One carbon credit is equivalent to one tonne of carbon dioxide equivalent (CO2-e).

5.4 Risks and liabilities

The Council may have liabilities under the PFSI. The Council is legally obliged to surrender carbon credits to the Crown equivalent to any carbon lost from the PFSI forest area. The most significant risk to the proposed PFSI areas is fire and the historical fire risk is relatively low in Wellington. As part of the Council's Carbon Management Policy, Council will hold 10% of its carbon credit holdings for self-insurance purposes to manage risks relating to fires.

5.5 Climate Change

The recommendations form part of the Council's overall response to Climate Change. The development of carbon sinks on Council land is part of the 2010 Climate Change Action Plan.

6 Conclusion

This report recommends that the Committee agree to revoke a previous resolution to dispose of land that was once identified as surplus to the Council's requirements. It also recommends that the Committee agree to register the Land into the Permanent Forest Sink Initiative (PFSI).

7 Appendices

Appendix 1: Minutes of previous Council decision

Appendix 2: Map of the Land proposed for removal from the sale list and registration for the PFSI programme

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SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

The proposal to register land in the PFSI is part of the Council's overall response to the challenge of climate change, as agreed in the 2010 Climate Change Action Plan.

2) LTP/Annual Plan reference and long term financial impact

The carbon credits received by Council will be treated as intangible assets and valued at the fair-value market price at the time they are acquired.

3) Treaty of Waitangi considerations

The draft policy does not raise any specific issues related to mana whenua or the Treaty of Waitangi.

4) Decision-making

This is not a significant decision.

5) Consultation

(a) General Consultation

There has been no consultation for this specific paper however the Council's 2010 Climate Change Action Plan was consulted on with the wider community. The concept of creating forest sinks with native forests was supported.

(b) Consultation with Maori

The draft policy raises no specific Maori or Treaty of Waitangi issues.

6) Legal implications

Legal issues have been canvassed in the report.

7) Consistency with existing policy

Registering land in the PFSI is a sub-set of the Council's wider climate change action plan.

The recommendations of this paper are consistent with previous decisions Council has made in the past with respect to registering Council land in the PFSI.

Minutes from previous Council decision

EXTRACT OF COUNCIL MINUTES

Meeting of Wednesday 21 April 1999

Moved Councillor Hutchings, seconded Councillor Foster, the following amendment to Clause 5:

- (f) *THAT Council agree to the sale of the surplus ex-Kilmister land identified in the report and instruct officers to:*
- (i) *identify and arrange covenants over any part which in their view has sufficient ecological merit to warrant this and, if the property is sold to an adjacent owner; and*
 - (ii) *endeavour to negotiate a single recreational access easement through the part of the property to be sold and the adjacent owners land to facilitate possible recreational access from the Outer Town Belt to Takarau Gorge.*

The amendment was put:

Voting for: Councillors Cook, Foster, Gill, Gotlieb, Goulden, Hutchings, Kedgley, Pepperell, Prendergast, Ritchie, Shaw, Siers and Varnham.

Voting against: Mayor Blumsky, Councillors Armstrong, Johnston, Morrison and Piper.

Majority decision: 13:5.

The amendment was declared **CARRIED**.

Moved Councillor Hutchings, seconded Councillor Foster, the substantive motion Clause 5:

The substantive motion was put:

Voting for: Mayor Blumsky, Councillors Armstrong, Cook, Foster, Gill, Gotlieb, Goulden, Hutchings, Johnston, Kedgley, Morrison, Pepperell, Piper, Prendergast, Ritchie, Shaw, Siers and Varnham.

Voting against: Nil.

Majority decision: 18:0.

The substantive motion was declared **CARRIED**.

APPENDIX 1

RESOLVED:

*Clause 5. ITEM 027/99F SURPLUS PROPERTIES FOR DISPOSAL
(1215/28/IM) (REPORT 6)*

THAT Council:

- (a) *approves the sale of the following Council owned properties as listed below:*

<i>27 Arun Crescent, Southgate.</i>	<i>Lot 12, DP 34252</i>	<i>C/T 11C/ 1131</i>
<i>13 and 21 Dargle Way, Happy Valley</i>	<i>Lots 4 and 8, DP 74740.</i>	<i>C/Ts 527/172, 527/173.</i>
<i>180-182 Glenmore Street, Kelburn</i>	<i>Part Lot 322, DP 1087, Section 1, SO 37452</i>	<i>C/T 447/197, part closed road</i>
<i>209 Houghton Bay Road</i>	<i>Part Lot 4, DP 8961.</i>	<i>C/T 475/70</i>
<i>Linden Avenue, Linden</i>	<i>Part Section 142, Porirua District</i>	<i>C/T B1/656.</i>
<i>Manchester Street, Melrose.</i>	<i>Withdrawn pending further investigation.</i>	
<i>39- 47 Ngaio Gorge Road</i>	<i>Part Lot 1, DP 7380.</i>	<i>C/T 368/50</i>
<i>9- 13 Ravi Street, Cashmere</i>	<i>Part Lot 10, DP 11685</i>	<i>C/T 44/353</i>
<i>Stock/ Livingstone Streets, Mornington</i>	<i>Lots 129, 130, 133- 137 DP 52</i>	<i>C/T 450/ 29, 588/275</i>
<i>230 The Terrace, Inner City</i>	<i>Road reserve adjoining Lot 1, DP 61552</i>	
<i>297 Tinakori road, Thorndon</i>	<i>Closed road adjoining Lot 3, Deeds Plan 548</i>	
<i>107 View Road, Houghton Bay</i>	<i>Lot 9, DP 1342</i>	<i>C/T 115/ 4</i>
<i>Kilmister Block</i>	<i>Part Section 58, Makara District.</i>	<i>C/T 287/283</i>
<i>Corner Panama Street/ Lambton Quay</i>	<i>Lot 9, DP 10808</i>	<i>C/T 353/273</i>

- (b) *approves the sale of the following Council owned properties:*

- (i) *27 Arun Crescent – Subject to an easement for the right to discharge gas to be registered against the Certificate of title;*
- (ii) *Stock/ Livingstone Street – Subject to a covenant to restrict development to a single/ double dwelling, and retain surrounding bush after construction. Easement for*

APPENDIX 1

future pedestrian access to Ohiro Road; and

- (iii) 39-47 Ngaio Gorge Road – Subject to a covenant as for Stock/ Livingstone Street - will have a similar covenant as (iii) above.*
- (c) authorises officers to take appropriate action to make the properties available for sale, including where appropriate, any survey, land status or other actions, procedures and compliance with Section 40 of the Public Works Act 1981;*
- (d) authorises officers to negotiate the sale of the properties upon such terms and conditions as may be considered appropriate in accordance with the agreed policy for marketing and disposal of Council property;*
- (e) notes that the provisions of Section 230 of the Local Government Act 1974, which requires that public notice be given of the meetings for the sale of Council properties, has been complied with. Public notification was published in the 'Evening Post' Saturday, 13 February 1999 and 'Dominion' 17 February 1999; and*
- (f) agrees to the sale of the surplus ex-Kilmister land identified in the report and instructs officers to:*
 - (i) identify and arrange covenants over any part which in their view has sufficient ecological merit to warrant this and, if the property is sold to an adjacent owner; and*
 - (ii) endeavour to negotiate a single recreational access easement through the part of the property to be sold and the adjacent owners land to facilitate possible recreational access from the Outer Town Belt to Takarau Gorge.*

The Land proposed for removal from disposal list and registration for the PFSI programme

