

22 April 2020

Dear Sir/Madam

## **RENEWAL OF UPPER SELWYN HUTS DEED OF LICENCE**

This letter is to outline the process Selwyn District Council has followed to consider options for an appropriate wastewater system for the Upper Selwyn Huts. It also includes information on the major changes to the current licence fee and other charges needed to fund the services that the Council provides at the Huts, along with proposed changes to the licence agreement.

You are currently a holder of a licence at the Upper Selwyn Huts. The licence expires on 30 June 2020. The consent to operate the wastewater plant for the Huts community (CRC991634) expires on 20 June 2020. Being able to live at the Huts requires some form of wastewater (sewer) system.

Two years ago the Council began investigations into the options available to operate a new wastewater system for the Huts community. The existing wastewater system needed to be replaced because in discussions with Environment Canterbury (the consent authority for wastewater treatment and disposal plants) they made it clear that the current system of wastewater treatment and discharge would unlikely to be consented in the future.

### **Wastewater system options**

The Council in late 2018, established a working party to consider the various options for a new wastewater system. Three members of the Upper Huts community, Graeme Young, Graham Evans and Robbie Hyde, were working party members.

This working party met during 2019 and reported its findings and the unanimous recommendation of the working party members to the Council at its meeting on 11 September 2019. All working party recommendations were adopted by the Council and Council staff have been implementing the recommendations since that point. A letter was sent to all hut owners on 12 September 2019 providing information on the working party's findings. Attached to the letter was the report that the Council considered. The Council is also aware that the three community members of the working party held individual discussions with hut members and a meeting explaining what the Council decisions would mean for the community.

If you do not have a copy of that letter and report and would like a copy please contact s7(2)  
(a)

The recommendations from the September 2019 report were extensive and the key aspects included the following:

- Council applying for an extension to the existing resource consent for the wastewater treatment as any new plant would not be consented or built by the expiry date of 30 June 2020. A resource consent application, to continue operation of the current Upper Selwyn Huts Wastewater Scheme, for a period of four years while the new system is constructed and commissioned has been lodged. On the 1 April 2020 Environment Canterbury provided confirmation of the granting of s124 continuance for the wastewater discharge for the Upper Selwyn Huts. This means that the existing discharge can continue while the consent application is being processed, even once the current consent expires.
- Preparing an application for the resource consent for the new treatment plant. The preparation of this application is currently underway. A meeting with the hut working party members will be arranged once COVID-19 alert levels allow this to occur.
- The cost of the new plant, upgraded reticulation and associated works were estimated at \$3 million, plus or minus 20%.
- The capital cost would be funded by way of a loan table over a period of 15 years.
- The annual operating costs (including maintenance of systems and loans repayments) when calculated as a targeted rate, or as part of the licence fee and other charges for each hut owner/licence holders was estimated at \$4,000 plus or minus 20%.

Feedback from the community was that although the cost was significant, community members understood that this was one of the costs of being able to remain as a licence holder at the Upper Huts.

An important factor to note is that any new consent for wastewater treatment and disposal is likely to be granted for a maximum of 15 years from issue. The Council must within the next 3 years apply for a new wastewater consent, have that consent granted with appropriate conditions (rules) as to how the new plant will operate and have the new wastewater system built and operational. It is this 15 year period of the resource consent that was used for calculating the loan period for capital repayment. This date of consent expiry is expected to be 30 June 2038 but it may however be a shorter or longer duration depending on the consenting process.

This period of 15 years is important not only for how the loan repayments of the wastewater plant are calculated but also because there is no guarantee that an extension of the wastewater consent would occur after 30 June 2038.

### **Changes to deed of licence effective from 1 July 2020**

Attached to this letter is a new licence agreement. A number of changes are proposed. To assist licence holders, a table outlining the changes is attached (Appendix 1) to the front of the licence document. The proposed licence is attached as (Appendix 2). The report that the Council received on the proposed licence changes is attached as (Appendix 3).

Some of the changes are procedural, such as improving the definition of terms. Others are more substantial.

During the wastewater plant investigations and community discussions, a comment frequently made to Council members and staff was the need for certainty of licence tenure and costs.

Fifteen years is arguably a short period for the repayment of a loan. The Council could not extend the loan repayment period beyond 15 years as the wastewater consent will not extend beyond this term. On this basis a key aspect of the new licence agreement attached is that it is for a maximum of 15 years with no extension.

On the expiry of their licences, hut owners will be required to remove their hut and reinstate the underlying land. Both the current and amended licence include clauses about the removal of huts.

Clause 6 of the new form of licence provides for the progressive payment of a bond of up to \$5,000 plus GST (the estimated cost of hut removal and reinstatement) from each hut owner to cover the costs of removal and reinstatement if these works are not completed by the hut owner at the end of the term. The accumulated bond will be repaid to the hut owner if they arrange for hut removal and reinstatement at their own expense at the end of the term of the licence.

On the basis that the licence will not be able to be extended beyond 30 June 2038, there is a risk to the Council, that some licence holders will not remove their huts at the end of the licence period. If that occurred, the Council would need to remove the huts which would be a cost to ratepayers in the District. That would not be appropriate.

### **Increase in licence fee and other charges**

The current licence fee has remained the same for a number of years.

The new wastewater plant needs to be paid for and as noted above, the Council will allow the cost of the plant to be repaid over a 15 year period.

The water plant was upgrade recently to improve water quality. There are costs to fund for the upgrade as well as the installation of a chlorination system.

Both upgraded plants have annual operating and maintenance costs to be funded.

As noted above the Council will levy an annual bond of \$333 plus GST (\$383 incl GST) to provide a total of \$5,000 plus GST (\$5,750 incl GST) over a 15 year period.

The Council is not proposing to charge for the new wastewater plant until it is operating in June 2023. It is proposed to increase charges over the next three years to reach the proposed level of charge of \$1,766 per annum. The proposed charge increases are as follows:

From 1 July 2020	\$977	
From 1 July 2021	\$1,372	
From 1 July 2022	\$1,766	
From 1 July 2023	\$4,745	The new wastewater loan payments commence

The report that the Council considered in adopting the new charges is attached to this letter (Appendix 4) and provides more information on how the charges were calculated.

The Council is required to give notice under clause 7 of the licence agreement of any changes to licence fees and charges and this letter is that notification.

### **What happens next?**

#### **Increases to licence fee and other charges**

The Council adopted its Draft Annual Plan for consultation on 15 April 2020. This letter forms the Council's consultation with you on the proposed increased charges noted above.

In the attached two documents there are a number of dates proposed for either consultation or feedback on the proposed licence charges or change to the licence agreement. All consultation and engagements dates have been ~~struck out~~ to avoid any confusion with the new dates noted below.

The reason for these date changes is that New Zealand went into lockdown under COVID-19 Level 4 Alert on Wednesday 25 March, the same day that the Council considered the initial reports on Selwyn Huts. The impact of COVID-19 on New Zealand will not be known for some time but the dates for you to provide feedback are as below:

## **Consultation**

### **Key dates**

- |                             |  |
|-----------------------------|--|
| • Wednesday 22 April        | Consultation opens                     |
| • Friday 22 May             | Consultation closes, 5pm               |
| • Tue 2 June - Wed 3 June   | Hearings (as required)                 |
| • Thu 11 June - Fri 12 June | Council deliberations (as required)    |
| • Wednesday 24 June         | Council adopts the Annual Plan 2020/21 |

### **Submissions**

Subject to the Covid-19 restrictions in place at the time, submissions will be able to be made using the printed submission form, available in the consultation document, from Council service centres, or downloadable online. An online submission form will also be available via the Council website.

### **Public hearings**

Public hearings on submissions to the Consultation Document will be heard by the Council on 2 – 3 June 2020, but this will depend on whether Covid restrictions exist at that time.

### **Community engagement**

The Council is not currently proposing an active programme of community engagement events or meetings, due to the impacts of the ongoing COVID-19 pandemic, and the need to minimise public health risks. The Council is following Ministry of Health guidelines and will continue to monitor the situation should any change in guidelines be advised. It is noted that some community events, which the Council would otherwise have been likely to attend, have been cancelled, and it is likely that more events will be cancelled in the coming weeks. The council will be making contact with the committee members who were on the working party to seek their views.

## **Proposed changes to licence agreement**

All engagements dates in the report attached as Appendix 3 have been ~~struck out~~ to avoid any confusion with the new dates noted above. Feedback on the licence would be appreciated by 31 May 2020.

The Council appreciates that there will be a variety of feedback and it may not be possible to have all issues satisfactory concluded by 1 July.

The proposed licence agreement comes into effect from 1 July 2020. If that occurs, the Council will consider allowing existing licences to hold over on a monthly basis. Holding over means that although the existing licences expire on 30 June 2020, the Council can decide to allow hut owners to remain on the Springston South Reserve on the same terms and conditions (with either party having the ability to cancel the arrangement on one month's notice). The Council will advise if it consents to hut owners holding over.

You are welcome to contact the writer of this letter and discuss any of the proposed changes. My contact details are noted below.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Douglas Marshall', with a stylized, cursive script.

Douglas Marshall  
**GROUP MANAGER PROPERTY**

Phone 0800 SELWYN (735 996) Council customer services which will transfer your call to me

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