



## REPORT

Date : 2 June 2021

To : Extra Ordinary Council Meeting, 3 June 2021

From : Management Team

Subject : **STAFF REPORT ON SUBMISSIONS ON HUKUTAIA GROWTH TO THE DRAFT 2021-2031 LONG TERM PLAN – TABLED REPLACEMENT**

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### EXECUTIVE SUMMARY

The purpose of the report is to outline key discussion points for deliberations regarding growth infrastructure for Hukutaia, provide a briefing on relevant matters that have come to light since adoption of the 2021-2031 Long Term Plan Consultation Document, and to provide recommendations on LTP submissions specific to this matter for Council's consideration.

### PURPOSE

The purpose of the Report is to outline key discussion points for deliberations regarding growth infrastructure for Hukutaia, provide a briefing on relevant matters that have come to light since adoption of the 2021-2031 Long Term Plan Consultation Document, and to provide recommendations on LTP submissions specific to this matter for Council's consideration. The report includes draft preliminary advice from staff on submissions, and proposed amendments for the development of the final 2021-2031 Long Term Plan.

Included in this report is preliminary staff advice on the Hukutaia Growth consultation item. The intention of this advice is to provide a starting point for Council's discussion during deliberations. It is noted that it is only preliminary advice that may well change following the hearing of the submissions.

### BACKGROUND

Council has previously consulted on providing growth infrastructure to Hukutaia. The 2018-2028 LTP had a consultation item "Wastewater – Hukutaia Growth". The three options outlined (and number of submissions) were:

- 1 To reticulate when growth becomes apparent (35)
- 2 Retain the status quo (no reticulation) (15)
- 3 Reticulate now (13).

Following submissions Council decided on option number 1 – to reticulate when growth became apparent. That process set the starting point for the current LTP process.

## **CONSULTATION**

Council has held a number of workshops and adopted a number of documents over the last 12 months:

30 July – Environmental Scan

**11 August – Strategic direction setting, revenue and financing policy, Community outcomes**

25 Aug – Activity Strategy, Grouping of Activities

31 August – Key assumptions, Financial strategy

**6 October – Infrastructure strategy**

**3 Nov – Infrastructure Strategy, Asset Management, Capital projects**

17 Nov – Significance and Engagement Strategy

14 Dec – Activity Statement, Draft financial statements, Infrastructure Strategy ahead of adoption

**17 Dec – Borrowings, Levels of service**

26 January – Strategic Issues

10 February – Strategic Issues 2

**9 March – Consideration of overall Impact of LTP on rates ahead of adoption**

The outcomes of each workshop were adopted at the subsequent Council meetings.

Council adopted the 2021-2031 Long Term Plan Consultation Document 'Have Your Say' at an Extra-Ordinary Council Meeting on Monday 1 April 2021. The provision of wastewater services to existing and new properties in Hukutaia was Issue One in the Consultation Document.

## **SUBMISSIONS RECEIVED**

### **Overview**

298 submissions (86% of all submissions) were received that responded in some way on the Hukutaia Growth consultation item. 121 submitters used a partially prepopulated submission form provided to them by the Hukutaia/Woodlands Ratepayers group. The remainder of submitters used the submission form from the Consultation Document, with some using their own documents, a few photographing

their completed forms and emailing to Council, and some directly typing their submission into an email.

The key question in the Consultation Document was which option was preferred: proceed with servicing all of Hukutaia now (Option One), or proceed with servicing growth areas but delay connecting existing properties (Option Two). The submissions received against these options were:

- 51 submitters supported Option One
- 53 submitters supported Option Two
- 122 submitters supported "Option Three" (the pre-formatted response") for not connecting any properties to reticulated wastewater services.
- 73 of the 226 submitters above lived in the wider district, 46 picking Option One or Two, and 27 picking Option 3.
- 92 did not select any option as preferred, but did submit some other response or question relating to the wastewater growth project.

Additional questions were asked in the Consultation Document about interest in developing greenfield properties, connecting existing properties, and the wider community's willingness to pay. These are discussed further below.

### **Responses from greenfield owners**

The Consultation Document asked if the people who owned potential greenfield properties were planning to develop.

- 24 submitters did not plan to develop their land.
- Six submitters were looking to develop their land.

Of the six looking to develop, four of these own properties larger than 1 Ha. Based on staff conversations with those owners, the minimum total yield from their potential subdivisions would likely be about 150 properties, with a maximum of up to 600 properties. Based purely on impressions over brief phone calls, staff think that fully developing to 600 properties would be unlikely. The earliest timing of development is likely to be about 2024/25, with some of the submitters not planning to develop until after 2025/26.

The district wide growth projections are for ~60 properties a year. Assuming 50% of that growth happens at Hukutaia, there is current support for supplying at least five years of growth (150

properties/30 properties per year). Staff consider this to be a sufficient critical mass, and that it may also draw out further supply if early movers are seen to be successful.

Staff **recommend** that Council continue with plans to provide growth infrastructure for greenfield development in Hukutaia, adjusting the timing to reflect the expected development rates.

Other options Council could consider include:

- Developing infrastructure as soon as possible, to encourage early development (risks overprovision of infrastructure); and
- Choosing not to develop any infrastructure in Hukutaia (doesn't support goals of encouraging growth away from natural hazards, inconsistent with 2018 LTP decisions.)

#### **Responses about connecting existing Hukutaia properties**

- 187 responses were received from residents with existing septic systems, 177 indicating they did not want to connect to a new wastewater system and 10 indicating they did.
- Of the 177 who said they would not connect, the majority (>120) linked their objection in some way to the adequacy of septic tanks for achieving public health or environmental outcomes.
- Six responses requested Council undertake additional research on septic tanks.

Only a small number of existing residents support their connection to a reticulated service. Many submitters (122) used a prepopulated submission form that argued that soil conditions in Hukutaia meant septic tanks were preferred for achieving environmental and public health outcomes. Staff believe that the wide uptake of the form was driven by concerns about cost and the claim of negligible impact is assumed.

There is little hard evidence to support or refute opinions about the cumulative performance of septic systems in Hukutaia, but the fact remains that there are a large number of septic systems in a relatively dense area, and that few of these are of modern design. Staff believe this risk cannot be dismissed out of hand.

Staff **recommend** that Council defers any connecting existing properties to the end of the 10 year LTP period. In partnership with other relevant organisations, investigations should be undertaken in Year 1-2 to gather evidence about the environmental and public health performance of septic systems in Hukutaia, with review of evidence and preferred approaches after that.

Other options Council could consider include:

- Proceed with Option 1, moving to service all existing properties from 2024/25 (strongly opposed by the community)
- Decide not to investigate public health and environmental risks, and remove projects to provide existing residents with wastewater services from the LTP (leaves Council exposed to an unknown risk).

### **Responses on funding**

The consultation document asked whether ratepayers who lived outside the Hukutaia community were willing to pay towards the infrastructure costs. This question was included because the cost of the public infrastructure (but not the on-property costs) were modelled as being paid by Ōpōtiki wastewater targeted rate and general rates.

- 105 submissions were received from ratepayers who live in the wider community (i.e. outside Hukutaia), with 92 opposed to paying a portion of the Hukutaia project costs and 13 supportive of paying.
- Seven made additional comment that they would like developers to pay the full cost and four asked how council thought people could afford the connection fees.

Wider ratepayers do not support spreading the cost of providing infrastructure to Hukutaia beyond those receiving benefit from the infrastructure. No equivalent question was asked of property owners in Hukutaia, but it is assumed they would prefer any funding approaches that reduced their costs.

The community is facing real affordability challenges, and this limits Council's ability to fund the improvement of critical services, in this case for existing customers.

Irrespective of what happens at Hukutaia, staff plan to prepare a Development Contribution policy in Year 1, which will provide a transparent mechanism for recovering the cost of growth driven works from development.

Staff **recommend** that the funding of the Hukutaia infrastructure be changed to show the capital works paid for by external funding. In the case of growth works, this is anticipated to be via the Develop Contribution policy or similar. For existing properties, Council will seek funding from other agencies.

### **PREFERRED SCENARIO**

When the recommendations described above are taken together, the following preferred scenario emerges for infrastructure in Hukutaia:

- Use Year 1 to reduce risks to Council by confirming demand and best value technical options, and investigating potential government funding.
- Proceed with servicing greenfield development only, timed to meet actual plans, with developers paying for the cost of servicing their development.
- Existing properties are deferred to the very end of the 10-year period, with the projects assumed to be funded externally. This aligns with the majority of submissions received, provided that the solution does not trigger the 'availability' requirements of the Regional Plan, which would compel existing residents to connect where they could.

### PROPOSED RESPONSES TO SUBMISSION TOPICS

Based on the discussion above, staff have prepared draft responses for submission topics, provided in the table below.

#### Submission topics on timing and extent of wastewater service provision

Submission topic	Staff response
Supports Option 1 to provide infrastructure to new development and existing properties together (Council's preferred option)	We note your preference for Council to service both existing and new properties in Hukutaia together. Council has decided to service greenfield properties, beginning with design work in the coming year. Council will support further investigation to confirm that there are no public health or environmental impacts from not connecting existing properties. For now, connecting existing properties has been deferred to 2031.
Supports Option 2 to provide infrastructure initially for new development only	We note your preference for Council to defer connecting existing Hukutaia properties to wastewater services. Council has decided that, for now, it will only provide wastewater services for greenfield development in Hukutaia. Investigations are going to be undertaken to confirm the performance of existing septic systems, and in the meantime, connecting existing properties has been deferred to 2031.

Submission topic	Staff response
<p>Submitter states septic tanks and natural filtering by the 5-10 metres of existing pumice soils is the most efficient, environmentally acceptable, and cost effective treatment method for the Hukutaia/Woodlands area.</p>	<p>Council acknowledges that in many situations, septic tanks are an acceptable solution for wastewater treatment and disposal. Due to the large number of septic systems concentrated in Hukutaia, Council will support investigations to confirm the level of impact from existing septic systems currently have. For now, Council has deferred connecting existing properties to 2031.</p>
<p>Submitter indicates they own a house in Hukutaia and would not connect to the Wastewater network.</p>	<p>Council intends to work with the Regional Council to confirm if existing septic systems have no environmental or public health impacts. Subject to this, council has decided to defer connecting existing Hukutaia properties to any new wastewater services to 2031.</p>
<p>Submitter indicates they own a house in Hukutaia and would connect to the Wastewater network</p>	<p>We note your interest in connecting to a wastewater service. Due to feedback received, Council has decided to defer providing wastewater services to existing properties until 2031. This decision is subject to investigations to confirm the impact of existing septic systems.</p>
<p>Submitter indicates they are a greenfields owner and do not want to develop their land.</p>	<p>Council has decided to take a targeted approach to greenfield properties, and will only provide services to properties where specific greenfield development is planned.</p>
<p>Submitter indicates they are a greenfields owner and do want to develop their land.</p>	<p>We note your desire to develop your greenfield land and connect to a wastewater network. If they haven't already, staff will be in touch with you soon to learn more about your development intentions.</p>

Submission topics on cost and funding

Submission topic	Staff response
<p>Submitter indicates they are a wider district ratepayer and are not willing to contribute.</p>	<p>Based on feedback received, Council has decided that the cost of establishing wastewater services in Hukutaia should fall to those who benefit and that the wider district will not contribute.</p>
<p>Submitter indicates they are a wider district ratepayer and are willing to contribute.</p>	<p>Based on feedback received, Council has decided that the cost of establishing wastewater services in Hukutaia should fall to those who benefit and that the wider district will not contribute.</p>

<p>Submitter provides alternative funding and/or development or infrastructure suggestions for Hukutaia Growth.</p>	<p>Thank you for your feedback. The risks of the proposal are outlined in a comprehensive report that was reported to councils Risk and Assurance Committee and to full Council. It can be found on Council's website. A 12 month period of due diligence is proposed to test demand, costs, and other potential sources of funding. In particular Council intends to review its development contributions policy and make a funding application to the Government's recently announced Infrastructure Acceleration fund.</p>
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## **MATTERS ARISING AFTER THE CD WAS DRAFTED**

### **Revaluation Impacts**

Every year ODC performs a fair value assessment of its assets to determine if there has been any significant changes to market values. Provided there has been no significant movement, ODC performs a full revaluation of all Roding, 3 Waters, land and buildings every three years, on 1 July (With the exception of investment property, which is every year).

Historically the 3 waters revaluation is done in-house by the engineering team and peer reviewed by external valuers. This was typical of most councils. The last revaluation was dated 1 July 2017 and the engineering team did significant work around condition assessment, pipe depth, ground cover and optimised replacement. While not incorrect, all of these new factors were not common practice in other Councils.

### **Infrastructure Acceleration Fund**

At around the time the CD was adopted, a Government announcement was made about an infrastructure fund to speed up the building of houses. \$2B of this is allocated to housing and \$1.8B to infrastructure to support housing. A letter from our mayor to Minister Woods two days later expressed Council's interest in lodging a business case for funding for Hukutaia Growth. At the time of writing the details of the fund are not yet available and it is understood they will be going to cabinet for decision making in June with the fund to set up in July. Staff have sought an offer of service from Habilis, to commence a business case ready for the new fund. Habilis are proposed due to their background with Ōpōtiki preparing two previous business cases for the harbour and a road safety, and the need to prepare the documentation at pace. Their detailed understanding of the district circumstances, data sources, the case for the harbour and aquaculture projects and those modelling of projects will be an advantage, drive efficiencies and speed in preparation of our application.



Staff recommend that Council proceed with the business case preparation at this time whichever option is decided in relation to the Hukutaia Growth. The financial cost of preparing this business case is \$50,000.

**SIGNIFICANCE ASSESSMENT**

**Assessment of significance**

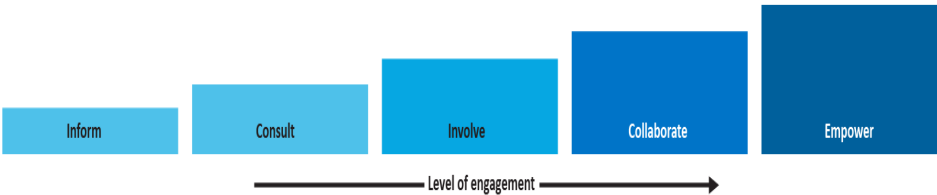
Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for making decisions on submisisons to the Draft 2021-2031 Long Term Plan is considered to be high as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

The decisions or matters of this report are however the culmination of the process to arrive at a decision that is significant in accordance with Section 2 of the Significance and Engagement Policy. This states that a matter shall be determined to be significant when Council is developing or adopting a Long Term Plan. As a significant decision or matter, the Council must apply greater diligence in regards to the decision making requirements of the Local Government Act 2002 section 76-82. This includes, but is not limited to, the degree to which different options are identified and assessed and the extent to which community views are considered, including whether consultation is required.

This report is the culmination of the submissions received from the public regarding the 2021-2031 Long Term Plan consultation process, which was significant and involved consultation with public. Council is receiving this report as information only. Any decisions will be made in deliberation after all of the submissions have been heard.

**Assessment of engagement requirements**

As the level of significance for receiving the making decisions on the Draft 2021-2031 Long Term Plan is considered to be low the level of engagement required was set through the Local Government Act 2002.



## **COMMUNITY INPUT AND PUBLICITY**

The consultation process with the public involved a 4 week period from 6 April 2021 to 7 May 2021 where the Consultation Document and the underlying information to the 2021-2031 Long Term Plan was made available to the public for review and submission.

The Consultation Document is a high level document outlining the key issues and proposals for the next ten years, and is aimed at engaging with the public.

## **CONSIDERATIONS**

### **Financial/budget considerations**

This report outlines the submissions received from the public regarding our proposed 2021-2031 Long Term Plan. Because these are submissions on proposed budgets there will be financial and budget considerations involved with each submission. These need to be considered through the deliberation process that will occur after the hearing of all submissions.

### **Policy and planning implications**

This report outlines the submissions received from the public regarding our proposed 2021-2031 Long Term Plan. Because these are submissions on the proposed policies and plans there will be implications that need to be considered with each submission. These will be considered through the deliberation process that will occur after the hearing of all submissions.

## **CONFLICTS OF INTEREST**

Several submissions raised the matter of councillor conflicts of interest in relation to decisions in this LTP. As with any Council governed by locally elected people, Councillors have a range of interests both financial and with different roles they have in the community. These are transparently outlined in Councils interests register which is periodically updated. Whether a matter before council becomes a conflict of interest depends on the specifics of the decision required and the specifics of the councillors' interests and should be considered on a case by case basis. In relation to the LTP Councillors are personally affected by the decisions they make but generally their interests are similar to others in the community. In these instances interests that are "in common with the public generally" are not regarded as interests that require councillors to step aside from decision making. Where a Councillor is impacted financially in a way that is different from the general public the Members Interest Act requires them to step aside from decision making. Other conflicts can arise between roles that councillors may hold in external organisations.

**RECOMMENDATIONS:**

1. That the report titled "Staff Report On Submissions On Hukutaia Growth To The Draft 2021-2031 Long Term Plan" be received.
2. That Council adopt the amended Hukutaia Growth option as set out in section 4 of this report.
3. That the draft preliminary advice from staff be received and used (as amended) for the basis of letters of response to the submitters.
4. That Council direct staff to contract Habilis to commence work on a business case to lodge as soon as the new Infrastructure Acceleration Fund is available.

**MANAGEMENT TEAM**