



Cabinet Economic Growth and Infrastructure Committee

Minute of Decision

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Crown-Owned Land at Watts Peninsula and Mount Crawford on the Miramar Peninsula, Wellington

Portfolio Land Information

On 30 November 2016, the Cabinet Economic Growth and Infrastructure Committee (EGI):

- 1 **noted** that there are two significant Crown-owned properties on the Miramar Peninsula, Wellington:
 - 1.1 the 11.7 hectare former Wellington Prison and lands (Mount Crawford), which is currently managed by Land Information New Zealand (LINZ);
 - 1.2 the 76 hectare Watts Peninsula Defence site, which is currently managed by the New Zealand Defence Force (NZDF);
- 2 **noted** that Crown-owned land at Watts Peninsula has a book value of [REDACTED], and the Crown-owned land at Mount Crawford has a book value of [REDACTED];
- 3 **agreed** to transfer Watts Peninsula from NZDF to LINZ, and to provide LINZ with the necessary increase in appropriation for ongoing management costs and work to address immediate safety issues;
- 4 **noted** that the transfer of Watts Peninsula from NZDF to LINZ is fiscally neutral as it will transfer from the departmental accounts of NZDF to the Crown account administered by LINZ, with no impact on debt;
- 5 **noted** that NZDF will have a capital withdrawal, which will be incorporated in the next baseline update;
- 6 **noted** that:
 - 6.1 LINZ faces funding pressures for the management of current properties and cannot meet the costs of managing additional property through baseline funding;
 - 6.2 NZDF advises it is unable to meet costs for Watts Peninsula into the future;

- 7 **approved** the following changes to appropriations to give effect to paragraph 3 above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)				
Vote Lands Minister for Land Information	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Multi-Category Expenses and Capital Expenditure: Crown Land					
Departmental Output Expense: Management of Crown Land (funded by revenue Crown)	s9(2)(i), OIA 1982, s9(2)(j), OIA 1982 [REDACTED]			-	-

- 8 **agreed** that the change to appropriations for 2016/17 above be included in the 2016/17 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 9 **agreed** that the expenses incurred under paragraph 7 above be charged against the between-Budget operating contingency, established as part of Budget 2016;
- 10 **noted** that officials will continue feasibility work to identify parcels of land on Watts Peninsula that may be suitable for housing development;
- 11 **agreed** that LINZ commence the disposal process for Mount Crawford under the Public Works Act 1981;
- 12 **noted** that the Port Nicholson Block Settlement Trust has indicated its intention to exercise its right of first refusal over Mount Crawford lands, and has plans to develop the site;
- 13 **invited** the Minister for Land Information to report back to EGI by 30 April 2017 on:
- 13.1 the feasibility of housing development at Watts Peninsula;
- 13.2 resources required to declare Watts Peninsula a reserve under the Reserves Act 1977, and options for the Crown's contribution;
- 13.3 the disposal process for Mount Crawford.

Janine Harvey
Committee Secretary

Hard-copy distribution: (see over)

Present:

Hon Bill English (Chair)
Hon Amy Adams
Hon Michael Woodhouse
Hon Peseta Sam Lotu-Iiga
Hon Craig Foss
Hon Louise Upston
Hon Paul Goldsmith

Officials present from:

Officials Committee for EGI

Hard-copy distribution:

Cabinet Economic Growth and Infrastructure Committee
Melleny Black, PAG, DPMC
Attorney-General
Minister of Corrections

[In Confidence]

Office of the Minister for Land Information

Chair
Cabinet Economic Growth and Infrastructure Committee

Crown-owned land at Watts Peninsula and Mount Crawford on the Miramar Peninsula, Wellington

Proposal

- 1 This paper updates Cabinet on the feasibility of residential development on Crown-owned sites at Watts Peninsula and Mount Crawford on the Miramar Peninsula, Wellington, and provides high level options for the future management and use of these sites.
- 2 It also seeks Cabinet approval to:
 - 2.1 transfer Watts Peninsula from the NZ Defence Force (NZDF) to Land Information New Zealand (LINZ);
 - 2.2 an appropriation to manage the property and address safety issues; and
 - 2.3 dispose of Crown-owned land at the former Mount Crawford Prison Site.

Executive Summary

- 3 The former Mount Crawford Prison (LINZ managed) and Watts Peninsula (NZDF managed) are adjoining sites located on the northern end of the Miramar Peninsula, Wellington.
- 4 Government agencies have undertaken initial work to develop a reserve on Watts Peninsula to reflect its historical and cultural significance to the Wellington region. Feasibility work has also been undertaken on possible development options over Watts Peninsula and Mount Crawford. This work identified major constraints for any commercially-viable residential development on the properties.
s9(2)(g)(i), OIA 1982, s9(2)(i), OIA 1982, s9(2)(j), OIA 1982
- 5 
- 6 Five high level options for the land are identified in the paper. They range from establishing both sites as a combined reserve (Option 1) to disposing of both sites for potential development (Option 5). Options 2-4 consider combined approaches of both disposal and reserve establishment.
- 7 I propose that Cabinet agree that LINZ undertake further work on Options 3 and 4, and report back in April 2017, for approval to a final plan for Watts Peninsula. If Ministers agree, LINZ will commence the disposal process for Mount Crawford under the Public Works Act 1981.

- 8 To progress this option Cabinet agreement is needed to:
- 8.1 transfer Watts Peninsula from NZDF to LINZ for management, so that LINZ can manage the land and undertake work required to make it safe for public access, before transferring the land to the Department of Conservation (DOC).
 - 8.2 appropriate the funds to LINZ to manage Watts Peninsula ([REDACTED] in 2016/17, [REDACTED] in 2017/18 and 2018/19) and to carry out the work necessary to make the land safe involving removal of asbestos ([REDACTED] in 2016/17) and tree removal ([REDACTED] in 2016/17).
 - 8.3 dispose of the Mount Crawford Prison Site. The Port Nicholson Block Settlement Trust (the Trust) has expressed their intent to exercise their right of first refusal and commence residential development at Mount Crawford.
- 9 Wellington City Council (the Council) is interested in establishing and managing a reserve on the Peninsula, provided that the Council does not have to purchase the property from the Crown. This could be achieved by the Minister of Conservation appointing the Council to control and manage the reserve under the Reserves Act 1977. The Crown would remain underlying owner of the land.

Background

- 10 Annex 1 outlines land ownership on the Miramar Peninsula. There are two significant Crown-owned properties:

Property	Approx area (hectares)	Zoning	Current Value (date)	Administering Agency
Former Wellington Prison and lands ("Mount Crawford")	11.7 ha	Open Space B (10.6 ha) and Outer Residential (1.1 ha)	[REDACTED] (2014)	LINZ
Watts Peninsula defence site ("Watts Peninsula")	76 ha	Open Space B	[REDACTED] (2016)	NZDF

- 11 In 2009 the NZDF transferred Shelly Bay to the Trust as part of the Port Nicholson Block (Taranaki Whānui ki Te Ūpoko o Te Ika) Treaty settlement.
- 12 In 2013, the Department of Corrections determined that it no longer required Mount Crawford for Corrections purposes. The property was then transferred to LINZ to manage the disposal process under the Public Works Act 1981. LINZ has confirmed that DOC and the Housing Corporation do not wish to use the property for other public works purposes (a reserve or affordable housing respectively). The Council acquired part of the property in 2015 to legalise the existing road that runs past the prison complex. LINZ has paused the disposal process for Mount Crawford subject to Cabinet decisions on Watts Peninsula.
- 13 In September 2011, Cabinet agreed that Watts Peninsula should be protected, preserved and developed as a distinctive national destination that brings together the

natural environment with venues for celebration and enjoyment of national heritage, recreation, culture and arts [CAB Min (11) 34/7 refers].

- 14 Cabinet also noted that there were fiscal implications for the options to protect Watts Peninsula which needed more exploration; and directed the Ministry of Culture and Heritage (MCH), in conjunction with the NZDF and DOC to undertake further work [CAB Min (11) 34/7 refers].
- 15 Watts Peninsula has a large number of archaeological sites associated with early Māori settlement, and the site is also connected with early European settlement. The land also has a number of military heritage sites, including a military redoubt, and coastal defence structures from the 1890s to the WWII period. As a Defence area, this site is currently closed to the public. It is currently unsafe for public access.
- 16 In 2014, the then Minister of Conservation, Hon Dr Nick Smith, and then Minister for Arts, Culture and Heritage, Hon Christopher Finlayson, asked officials to explore:
 - 16.1 integrated options across Watts Peninsula and Mount Crawford; and
 - 16.2 potential residential land development options that may help to defray the costs of remediating and operating a future park or reserve.
- 17 Since 2014, MCH has worked with the Council and the Trust under a Memorandum of Understanding, and relevant agencies, including LINZ, NZDF and DOC to develop an integrated vision for the northern end of Miramar Peninsula. This included undertaking an assessment of the development potential for Watts Peninsula.
- 18 In September 2016, the Ministers of Finance, Defence, Conservation/Culture and Heritage, Land Information and the Attorney-General met to discuss progress on this work. Ministers requested that LINZ explore taking over management of Watts Peninsula and that I report to Cabinet on the options for the two properties.

Feasibility work

- 19 The MCH-commissioned feasibility work has identified major constraints for any commercially-viable residential development on the properties, including:
 - 19.1 the presence of numerous heritage sites;
 - 19.2 the presence of numerous site hazards;
 - 19.3 limited existing infrastructure, including road access means that internal roading and other infrastructure would need to be built and connected with existing networks;
 - 19.4 the high cost of providing this infrastructure due to a range of factors, including the size of the property, its geographically isolated location and steep topography; and
 - 19.5 uncertainty around obtaining the necessary planning permissions and consents to develop most of the site, including permanent access rights.
- 20 In the context of these limitations, however, the feasibility work identified limited scope for residential development on Mount Crawford and on five parcels of Watts Peninsula

land. There has not been valuation work to assess the likely sale price for the five parcels of Watts Peninsula land.

- 21 In some cases, parcels need to work together, and ideally there would be one developer across all these areas to get maximum benefit from integrated work. There is potential to declare suitable parcels as special housing areas under the Housing Accords and Special Housing Areas Act 2013.

Mount Crawford residential development

- 22 Mount Crawford is flat and a larger area of the site could be developed if the prison complex was removed. [REDACTED]

- 23 Residential development at Mount Crawford is not contingent on residential development on any of the Watts Peninsula parcels of land, and could be developed separately. The Council is unlikely to agree to fund new infrastructure at Mount Crawford, so those costs would need to be met by a developer.

Watts Peninsula Residential development

- 24 The feasibility work for Watts Peninsula identified limited potential over five parcels of land (see Annex 2). Potential low density residential development could occur on:

24.1 All five parcels of land (totalling 11.45 ha of buildable land); or

24.2 The three southern sites ([REDACTED] – totalling 4.63 ha of buildable land)

- 25 The highest risks to commercially viable residential development on Watts Peninsula are resource management and infrastructure.

25.1 Resource Management – Residential development would require a District Plan change and public consultation. The Council would have responsibility for ensuring that the scale of any development proposal was in accordance with the surrounding environment, including skyline, and complemented the proposed reserve and historic sites.

25.2 Infrastructure – Significant capital expenditure would be required to provide utilities infrastructure to Watts Peninsula. The MCH commissioned feasibility work in June 2015 identified infrastructure costs¹ of \$[REDACTED] to develop all five sites on Watts Peninsula, establishing 100 houses, and \$[REDACTED] to develop the three southern sites, establishing 50 houses.

26 [REDACTED]

[REDACTED]

¹ These costs include water supply, waste water, storm water, power, and telecoms. The cost of building roads to these sites is not included.

Disposal Process for Watts Peninsula and Mount Crawford – Public Works Act 1981

- 27 Under the Public Works Act 1981 the disposal of Crown-owned land that is no longer required for its current public work would include the following steps:
- 27.1 Identify whether the land could be used for any other public work by central or local government (including development of social housing),
 - 27.2 Offer the land to the former owner, or their successor under section 40 and 41 of the Public Works Act unless a valid exemption applies,
 - 27.3 Offer the land to Iwi under a right of first refusal in the relevant Treaty claim settlement, and
 - 27.4 Dispose on the open market.
- 28 It is yet to be confirmed whether there are any obligations to offer back the land under section 40 and 41 of the Public Works Act, as disposal of both properties has not reached that stage.

High level options

- 29 In reviewing the previous work undertaken on the properties, LINZ has identified the following high-level options:
- 29.1 Option 1 – Combine Mount Crawford and Watts Peninsula into one reserve (without disposal or development)
 - 29.2 Option 2 – Combine into one reserve, with some land released for disposal/development
 - 29.3 Option 3 – Reserve all Watts Peninsula and dispose of/develop Mount Crawford
 - 29.4 Option 4 – Reserve core of Watts Peninsula and continue investigating disposal/development of parts of Watts and all of Mount Crawford (preferred option)
 - 29.5 Option 5 – Dispose of/develop both properties.

Overarching context - other key matters related to all options

- 30 Impact of Treaty settlement obligations: The Trust, on behalf of Taranaki Whānui, has continued to express interest in acquiring Mount Crawford under its right of first refusal. It has previously identified potential investors and plans to build residential housing on the property, should it be offered the land. The Trust would likely seek to acquire any parts of Watts Peninsula under its right of first refusal should they be disposed of. The Trust has also confirmed its interest in being involved alongside Council and DOC in the management arrangements for the proposed reserve at Watts Peninsula.
- 31 Ongoing costs: Ongoing holding costs at the Mount Crawford site are being met by the Department of Corrections (\$██████ over the last three years). The Department of Corrections is keen to expedite the disposal of Mount Crawford, which has been delayed beyond the normal timeframes. An indicative timeframe for disposal of Mount Crawford

is estimated to take 1-2 years. Management costs for Watts Peninsula are being met by NZDF.

- 32 Mount Crawford heritage value: Heritage New Zealand Pouhere Taonga (Heritage New Zealand) has completed a heritage assessment of the former Mount Crawford prison and concludes that it has Category II heritage values. The East Wing and its related section of prison wall are worthy of consideration for adaptive re-use, and Heritage New Zealand recommended that option for conserving the heritage values of these features be investigated. Most of the remaining prison buildings can be removed. The Chief Executive of LINZ has yet to decide whether any heritage protections are to be implemented.
- 33 Watts Peninsula heritage sites: Heritage New Zealand has also completed a heritage assessment of the former Defence Force land at Watts Peninsula. A map detailing the most significant sites is in Annex 3. The Council would need to be satisfied that any development of Watts Peninsula complemented these historic sites.
- 34 Memorandum of Understanding: The MOU established between the Crown, the Council and the Trust in 2014 notes the need for a financially sustainable solution by balancing development opportunities with the protection of the cultural and heritage values of the site. It also notes the high level of public interest in protecting, preserving and developing Watts Peninsula for future generations.
- 35 Management of a reserve: The Council has been negotiating the terms of its future management role over a reserve on the Peninsula, provided that the Council does not have to purchase the property from the Crown. This could be achieved by the Minister of Conservation appointing the Council to control and manage the area as a reserve under section 28 the Reserves Act 1977. The Crown would remain underlying owner of the land. The cost of establishing a reserve is estimated to be around \$[REDACTED]. The Council has indicated that it is willing to contribute funding of \$[REDACTED] to manage and maintain the area as a reserve over 8 years, and has requested that the Crown pay the balance of \$[REDACTED] for reserve establishment costs and to open the area to the public.

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

Option 1 - Combine Mount Crawford and Watts Peninsula into one reserve (without disposal or development)

Benefits

- 36 Heritage: The majority of Watts Peninsula and Mount Crawford becomes a reserve. There is a shared narrative of Māori occupation and settlement, and public works uses – both military and penal – that connect the two sites. Mount Crawford could function as one of the main entranceways to the reserve.
- 37 Development: If the Mount Crawford site became part of a larger reserve, small-scale commercial development would be possible under a long-term lease, license or concession under the Reserves Act 1977 (with the consent of the Minister of Conservation), as long as it is consistent with the purpose of the reserve. Potential future uses – such as a museum, cycle hire, hospitality (café or restaurant), car parking, and accommodation (backpackers or camping) would not require a District Plan change on a public reserve. Future uses for the site would be managed by the Council in its role as reserve administrator.

- 38 Financial: Current sources of income from Watts Peninsula are grazing and film concessions. The film concessions would likely continue if the land was opened up as a reserve.

Mitigating considerations

- 39 Development: No residential development would take place.
- 40 Stakeholders: DOC and the Council declined Mount Crawford for a reserve when offered it in 2013. The Trust wants to exercise its right of first refusal over Mount Crawford and is likely to consider acquiring any Watts Peninsula land that is disposed of under the Public Works Act 1981.
- 41 Timeframe: The establishment of a larger combined reserve would involve a longer timeframe.
- 42 Financial: This option would be the most costly to the Crown, as there would be no other parties to help meet the costs of getting Mount Crawford fit for a public reserve. At a minimum the Crown would face costs of \$[REDACTED] for site clearance. The Crown would need to meet the costs of establishing Watts Peninsula as a reserve. The Council propose to meet the costs of management and maintenance.
- 43 The Crown would not realise any potential sale proceeds as the asset would remain in Crown ownership. With the disposal process for Mount Crawford halted, the Crown (currently Corrections) would continue to pay holding costs in excess of \$[REDACTED] per annum, until work is completed to add Mount Crawford to a reserve.

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

Option 2 – Combine into one reserve, with some land (five parcels at Watts Peninsula and one parcel at Mount Crawford) released for disposal/development

Benefits

- 44 Heritage: The majority of Watts Peninsula and Mount Crawford becomes a reserve.
- 45 Development: Up to six parcels (5 Watts Peninsula, 1 Mount Crawford) of land are released for disposal / development. This would allow for synergies if one party undertook the development over all the sites. Small scale commercial development (see paragraph 37) could still be possible on Mount Crawford without District Plan changes.
- 46 Financial: Revenue to the Crown from the land disposed of for development, though potential revenue is unknown. Current sources of income on the properties would likely continue if the land was opened up as a reserve.

Mitigating considerations

- 47 Heritage: There may be some undiscovered archaeological sites on the five parcels of land at Watts Peninsula. If such sites are present, they could complicate full development of these parcels.
- 48 Development: Sale of lands to a private party would not necessarily result in residential housing development. A number of uncertainties and constraints arise from high development costs and small profit margins. Due to the need to mitigate these costs it unlikely that residential development would provide significant levels of affordable

housing. Furthermore, subdividing the land may increase disposal costs for limited returns.

49 Stakeholders: DOC and the Council declined Mount Crawford for a reserve when it was offered to them in 2013. The Trust is keen in exercising its right of first refusal for parcels of land disposed of; however, it anticipates the opportunity to acquire all of Mount Crawford. The Council has advised that it would be unlikely to invest in new infrastructure at Mount Crawford or Watts Peninsula, so these costs would fall to a developer.

50 Public opposition to the development of Open Space zoned land at Watts Peninsula is likely.

51 Time frame: Longest timeframe for decision making and implementation.

52 Financial: As was the case for Option 1:

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

52.1 Corrections face ongoing holding costs exceeding [REDACTED] a year.

52.2 The Crown is likely to face higher costs as no other party is likely to contribute to the costs of developing Mount Crawford into a reserve. However, expenses could be offset by proceeds from land disposal.

52.3 The Crown would need to meet the costs of establishing Watts Peninsula as a reserve. The Council propose to meet the costs of management and maintenance.

Option 3 - Reserve all Watts Peninsula and dispose of/develop Mount Crawford

Benefits

53 Heritage: This option promotes heritage at Watts Peninsula, the site with the richer heritage of the two properties, with work to create a reserve commencing without delay. As noted earlier, DOC and the Council declined Mount Crawford when offered to them for a reserve in 2013.

s9(2)(g)(i), OIA 1982, s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

54 Development: There would likely be development on Mount Crawford. The Trust intends to exercise its right of first refusal and develop the site if it becomes available. [REDACTED]

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

55 Financial: Corrections avoid paying ongoing holding costs exceeding [REDACTED] a year for, and the Crown receives revenue from, the disposal of Mount Crawford (book value [REDACTED]). The revenue from the disposal of Mount Crawford could offset some of the cost to the Crown of creating a reserve at Watts Peninsula. Current sources of income on Watts Peninsula would likely continue if the land was opened up as a reserve.

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

56 Timeline: The two properties continue to be managed along separate timelines. (If managed together, progress would be slowed).

57 Stakeholders: This approach is consistent with stakeholder expectations, including the Trust's desire to exercise its right of first refusal for Mount Crawford and develop the site.

Mitigating considerations

- 58 Development: No development would occur on Watts Peninsula.
- 59 Stakeholders: There may be some public opposition to disposal of Mount Crawford, particularly if this results in the development of the property. Development of the majority of the property would require a District Plan change, involving public consultation.
- 60 Financial: The Crown would need to meet the costs of establishing Watts Peninsula as a reserve. The Council propose to meet the costs of management and maintenance.

Option 4 – Reserve core of Watts Peninsula and continue to investigate the disposal / development of parts of Watts Peninsula and all of Mount Crawford (preferred option)

Benefits

- 61 Heritage: Watts Peninsula heritage is retained and work to create a reserve commences, with options for disposing of some Watts Peninsula land remaining open. s9(2)(i), OIA 1982, s9(2)(j), OIA 1982
- 62 Financial: Crown would avoid holding costs exceeding [REDACTED] a year for Mount Crawford and obtain revenue from the sale of the land (book value [REDACTED]). Current sources of income on Watts Peninsula would likely continue if the land was opened up as a reserve. s9(2)(i), OIA 1982, s9(2)(j), OIA 1982
- 63 Stakeholders: DOC and the Council declined Mt Crawford for a reserve when it was offered to them in 2013. The Trust has indicated that it intends to exercise its right of first refusal and develop the site if it becomes available. The Council has indicated it would be unlikely to want invest in new infrastructure at Mount Crawford, so the costs would fall to a developer.
- 64 Timeline: This option facilitates timely decision making and implementation, as a range of separate work streams can be progressed in parallel, ahead of final decisions on the disposal / development of parts of Watts Peninsula.

Mitigating considerations

- 65 Development: If Mount Crawford is privately owned the Crown has limited influence over development activities. Losing Crown control of Mount Crawford could diminish opportunities to coordinate development on Watts Peninsula southern parcels with Mount Crawford.
- 66 The properties may be acquired by a party or parties for the purpose of residential development, but this is not guaranteed, [REDACTED] Development of Watts Peninsula could also be complicated by archaeological sites, both known and currently undiscovered, given its history of occupation. s9(2)(g)(i), OIA 1982
- 67 Stakeholders: There may be some public opposition to disposal of Mount Crawford, particularly if this results in development of the property. The likelihood of public opposition to development on the Watts Peninsula parcels is also high.
- 68 Financial: The Crown in conjunction with the Council would need to meet costs associated with establishing a reserve.

Option 5 - Dispose of/develop both properties

Benefits

- 69 **Financial:** Crown would benefit from the sale of both properties², and avoid costs associated with establishing a reserve, while Corrections would avoid holding costs at Mount Crawford exceeding [REDACTED] a year.
- 70 **Timeline:** this option is simplistic, requires limited further investigative work, and would allow the process for the disposal of each property to be managed independently or combined.

Mitigating considerations

- 71 **Heritage and stakeholders:** This option does not preserve the heritage of the area, and is likely to be broadly unpopular. Watts Peninsula has previously been used for filming, notably by Sir Peter Jackson, and parties like him and other stakeholders are opposed to development on the site.
- 72 **Development:** The properties may be acquired by a party or parties for the purpose of residential development, but this is not guaranteed, [REDACTED]

Summary of options against evaluative principles / criteria

- 73 Below is a summary of options against decision making criteria:

	Option 1	Option 2	Option 3	Option 4	Option 5
Revenue and costs to Crown (out of 5)	Low - 1	Medium - 3	Medium/ high - 4	Medium/ high - 4	High - 5
Development (out of 5)	Low - 1	Medium/ low - 2	Medium - 3	Medium/ high - 4	High - 5
Stakeholder support (out of 5)	Medium/low - 2	Medium/ low - 2	High - 5	Medium/ high - 4	Low - 1
Promotion of heritage (out of 5)	High - 5	Medium - 3	Medium - 3	Medium - 3	Low - 1
Allows for timely action (out of 5)	Low - 1	Low - 1	Medium/ high - 4	High - 5	Medium/low - 2
Total (out of 25)	10	11	19	20	14

² The current market value for each of these properties is unknown. Current book values of both properties are [REDACTED] for Mount Crawford and [REDACTED] for Watts Peninsula.

- 74 I propose that Cabinet agree that LINZ undertake further work on Options 3 and 4, and will report back in April 2017, for approval to a final plan for Watts Peninsula. This will include further details on costs and funding options. If Ministers agree, LINZ will commence the disposal process for Mount Crawford under the Public Works Act 1981.

The Transfer of Watts Peninsula from NZDF to LINZ

- 75 Assuming Ministers do not wish to dispose of both properties, the majority of Watts Peninsula will be a reserve, and possibly all, as per previous Cabinet decisions and community feedback. The residential development feasibility work supports this outcome.
- 76 NZDF is not suited to hold the land while management decisions are made on Watts Peninsula. There are in benefits transferring the property to a specialist land management agency, which can focus on the work necessary to implement Cabinet's decision. This will also enable NZDF to focus on its core property assets.
- 77 I met with the Ministers of Finance, Defence, Culture and Heritage and the Attorney-General in September of 2016 to discuss Watts Peninsula. We agreed in principle that the property should be transferred from NZDF to LINZ.
- 78 I propose that LINZ, through its Crown Property Centre of Expertise, take over responsibility for managing Watts Peninsula. This would include addressing immediate safety issues, investigating possible disposal of parts of the property and getting the majority of the site to a position where it could be transferred to another entity to develop and manage as a reserve. LINZ would not be the long-term owner for either property.

Hazards on Watts Peninsula

- 79 The land at Watts Peninsula is not currently safe for public access, due to a number of issues including asbestos in some rundown military structures and the presence of a number of unstable pine trees that are prone to falling. These hazards will pose a risk to the public if not addressed before any land becomes a reserve. As owner of the land, the Crown would be liable for any injuries to the public.
- 80 As these hazards may pose an immediate risk, I propose that LINZ commence steps to deal with these sites ahead of the final decisions on the Watts Peninsula reserve. LINZ will undertake the work to remove unsafe trees in consultation with the Council and DOC to ensure this work is consistent with replanting, the eventual establishment of a reserve, and community expectations.

Financial Implications

Transferring Watts Peninsula to LINZ

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

- 81 The transfer will be fiscally neutral to the Crown, based on book value of [REDACTED] with no impact on debt.

Ongoing management costs and safety work

- 82 LINZ faces funding pressure for the management of current properties and cannot meet costs of managing additional property through baseline funding. NZDF advises it is unable to meet costs for Watts Peninsula into the future. LINZ is set up to manage the

properties on its books however there is no contingency fund for new properties. New properties transferred normally come with funding but in this case, Ministers met in September 2016 (see paragraph 18) and decided NZDF would retain capital charge and LINZ would be appropriated for ongoing management costs and disposal costs.

83 LINZ requires an appropriation for:

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

83.1 Ongoing management costs³ () in 2016/17, () in 2017/18 and () in 2018/19

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

83.2 Immediate safety work – removal of asbestos () in 2016/17) and tree removal () in 2016/17)

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

84 The proposed change to appropriations for 2016/17 above will be included in the 2016/17 Supplementary Estimates and, in the interim; the increase will be met from Imprest Supply.

Development of a reserve

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

85 Work undertaken by MCH and the Council estimated the costs to develop Watts Peninsula into a reserve and fully open the site to the public to be approximately (). This work includes conservation and reserve master planning and consultation, securing heritage sites, development of site entrances, signage and wayfinding, and establishing toilet facilities. The April 2017 Cabinet report-back will include detailed costings for reserve establishment.

86 In April 2017 I will advise Cabinet of total reserve development costs and options for a Crown contribution.

The disposal of Mount Crawford

87 The disposal (sale) of Mount Crawford will generate revenue for the Crown. The property has a book value of ().

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

Stakeholders

88 In 2011, MCH formed a Watts Peninsula leadership group and reference group representing key stakeholders including Taranaki Whānui, community, local body, central government and other interest groups. This group supports a reserve at Watts Peninsula.

89 There is a high level of community interest in protecting, preserving and developing Watts Peninsula for future generations. The Council, with input from the community and DOC, have already designed a vision for the future of Watts Peninsula as a reserve. Most stakeholders will oppose further delays in opening the area to the public. Stakeholders expect Mount Crawford to be disposed of under the Public Works Act 1981.

³ The ongoing management – security controls, granting access - of Watts Peninsula is currently undertaken by a property management company on behalf of NZDF. This costs approximately () per annum. Rates for the property are approximately \$70,000.

s9(2)(i), OIA 1982, s9(2)(j), OIA 1982

- 90 MCH works with the Council and Port Nicholson Block Settlement Trust under a Memorandum of Understanding, and relevant agencies, including LINZ, NZDF and DOC to develop an integrated vision for the northern end of Miramar Peninsula.

Consultation

- 91 The following departments have been consulted on this paper: NZDF, Treasury, DOC, MCH, Department of Corrections, Ministry of Business, Innovation and Employment, Heritage New Zealand, Ministry of Justice (Post-Settlement Commitments Unit), and Te Puni Kōkiri.
- 92 The Department of the Prime Minister and Cabinet and the State Services Commission were informed.

Treaty of Waitangi Implications

- 93 There are no Treaty of Waitangi implications. The Trust (representing Taranaki Whānui) has been involved, and will continue to be involved under its DOC protocol and its relationship with the Council. The Trust's involvement in the design of the future management arrangements is expected to enhance the Crown-Māori relationship. LINZ will ensure that the Trust's rights under its Treaty settlement are maintained and considered throughout this work.

Human Rights

- 94 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative Implications

- 95 There are no legislative implications for this proposal.

Regulatory Impact Analysis

- 96 The transfer of the land can occur under existing statutory mechanisms. A regulatory impact statement is not required.

Gender Implications

- 97 There are no gender implications.

Disability Perspective

- 98 There are no disability implications.

Publicity

- 99 The paper will be published on the LINZ website, with sensitive information redacted. Broadly, the content of this paper is expected to be viewed by stakeholders as welcome progress.
- 100 A communications plan will be developed by LINZ, working jointly with MCH, NZ Defence Force and DOC. Taranaki Whānui and the Council will be consulted on this

plan. As part of this plan, LINZ will proactively advise the community of planned tree removal and replanting on Watts Peninsula.

Recommendations

I recommend that the Committee:

1. **note** that there are two significant Crown-owned properties on the Miramar Peninsula:
 - 1.1.1 the 11.7 hectare former Wellington Prison and lands ("Mount Crawford"), which is currently managed by Land Information New Zealand (LINZ); and
 - 1.1.2 the 76 hectare Watts Peninsula defence site, which is currently managed by the New Zealand Defence Force (NZDF);
2. **note** that Crown-owned land at Watts Peninsula has a book value of [REDACTED] and Crown-owned land at Mount Crawford has a book value of [REDACTED];
3. **agree** to transfer Watts Peninsula from NZDF to LINZ and to provide LINZ with the necessary increase in appropriation for ongoing management costs and work to address immediate safety issues;
4. **note** that the transfer of Watts Peninsula from NZDF to LINZ is fiscally neutral as it will transfer from the departmental accounts of NZDF to the Crown account administered by LINZ, with no impact on debt;
5. Note that NZDF will have a capital withdrawal which will be incorporated in the next baseline update;
6. **note** that LINZ faces funding pressure for the management of current properties and cannot meet costs of managing additional property through baseline funding. NZDF advises it is unable to meet costs for Watts Peninsula into the future;
7. **approve** the following changes to appropriations to give effect to the policy decisions in recommendation 3 above, with a corresponding impact on the operating balance:

	\$m – increase/(decrease)				
Vote Lands	2016/17	2017/18	2018/19	2019/20	2020/21 & Outyears
Minister for Land Information					
Multi-Category Expenses and Capital Expenditure:					
Crown Land				-	-
Departmental Output Expense:					
Management of Crown Land	[REDACTED]				
(funded by revenue Crown)					

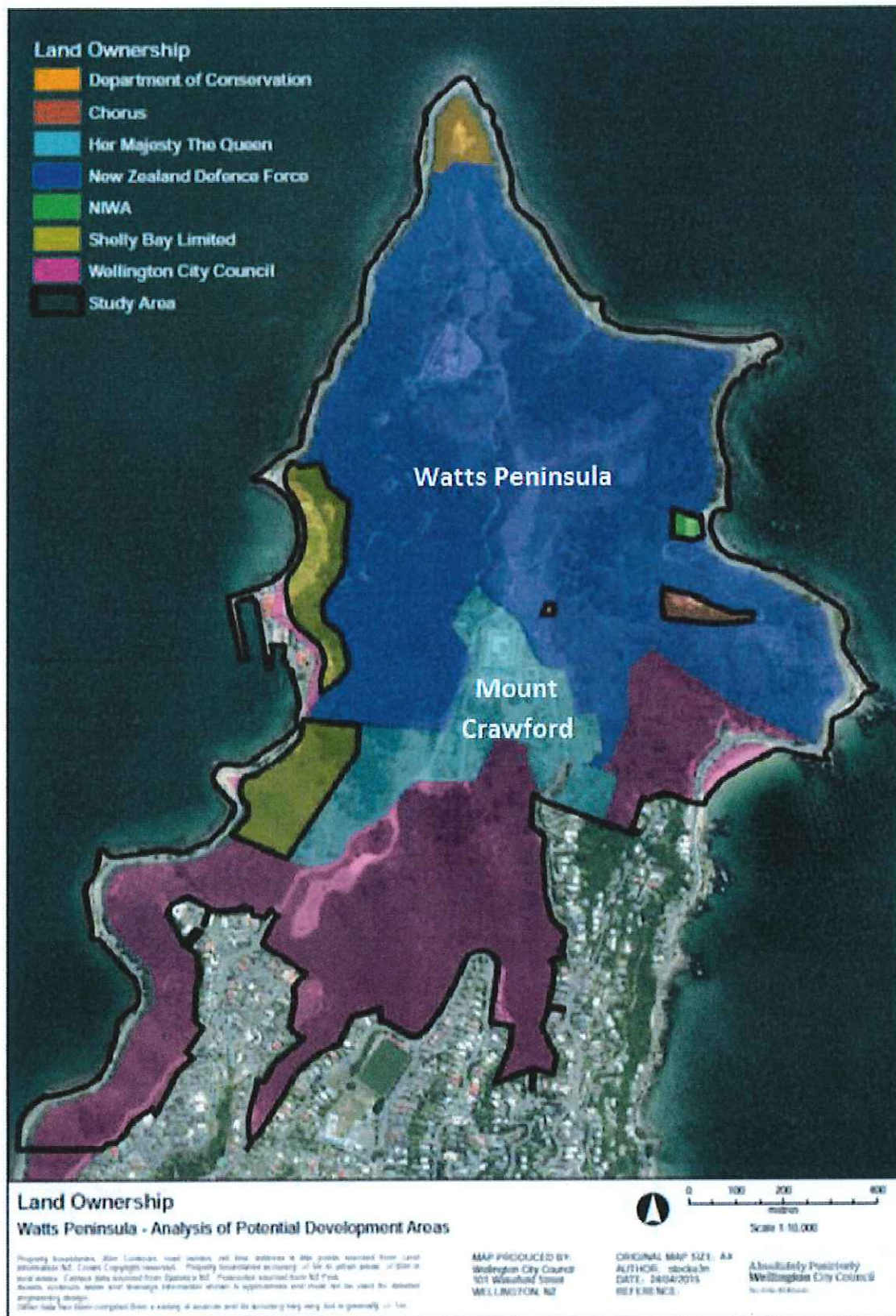
8. **agree** that the proposed change to appropriations for 2016/17 above be included in the 2016/17 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
9. **agree** that the expenses incurred under recommendation 7 above be charged against the between-Budget operating contingency, established as part of Budget 2016.
10. **note** that officials will continue feasibility work to identify parcels of land on Watts Peninsula that may be suitable for housing development;
11. **agree** that LINZ commence the disposal process for Mount Crawford under the Public Works Act 1981;
12. **note** that the Port Nicholson Block Settlement Trust has indicated its intention to exercise its right of first refusal over Mount Crawford lands and have plans to develop the site;
13. **invite** the Minister for Land Information to update Cabinet by 30 April 2017 on:
 - 13.1.1 the feasibility of housing development at Watts Peninsula;
 - 13.1.2 resources required to declare Watts Peninsula a reserve under the Reserves Act 1977, and options for the Crown's contribution; and
 - 13.1.3 the disposal process for Mount Crawford.

Authorised for lodgement

Hon Louise Upston
Minister for Land Information

Annex 1

Land ownership at Miramar Peninsula, Wellington



Annex 2

Potential Development areas on Watts Peninsula

s9(2)(g)(i), OIA 1982

Annex 3

Heritage Sites on Watts Peninsula

