

In Confidence

Office of the Minister for Land Information

Chair, Cabinet Economic Growth and Infrastructure Committee

Watts Peninsula Historic and Recreation Reserve

Proposal

- 1 This paper advises on the feasibility of residential development, and the creation of a reserve on Crown-owned land at Watts Peninsula on the Miramar Peninsula, Wellington.
- 2 It seeks Cabinet approval to dispose of 3.3 hectares of land under the Public Works Act 1981.

Executive Summary

- 3 Watts Peninsula is a 76 hectare former New Zealand Defence Force (NZDF) site located on the northern end of Miramar Peninsula in Wellington. The site is currently managed by Land Information New Zealand (LINZ).
- 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. LINZ has drawn on previous work on possible development options and commissioned Deloitte to undertake economic analysis of these options. This paper considers options for development on two, three or five areas.
- 5 The Deloitte assessment indicates that developing parts of Watts Peninsula is commercially feasible. However, this needs to be balanced against the amenity value of the remaining reserve land. While there is potential for limited residential development, extensive development would adversely impact on the heritage, cultural and landscape values to be included in a reserve.
- 6 I recommend that Cabinet approve the Two Area option and authorise LINZ to dispose of 3.3 hectares of land (East and West Prison areas). This option strikes an appropriate balance between development and protecting the values and potential for the future historic and recreation reserve.
- 7 LINZ will seek Cabinet approval to commence the creation of the reserve and funding for all relevant costs through Budget 2018.

Background

- 8 Watts Peninsula is a former NZDF site located on the northern end of Miramar Peninsula in Wellington. The 76 hectare site is currently managed by LINZ. It neighbours the 11.7 hectare former Mount Crawford Prison site which is also managed by LINZ. (Annex A)
- 9 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].

- 10 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 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, the site was closed to the public as it was unsafe for public access.
- 11 Watts Peninsula is subject to the right of first refusal under the Port Nicholson Block (Taranaki Whānui ki Te Ūpoko o Te Ika) Claims Settlement Act 2009. The Port Nicholson Block Settlement Trust (the Trust) represents Taranaki Whānui ki Te Upoko o Te Ika, an iwi collective¹ in Wellington. The Trust has confirmed its intention to exercise its right of first refusal over Watts Peninsula if any land is not required for a public work.
- 12 In 2014, the then Minister of Conservation, Hon Dr Nick Smith and then Minister for Culture and Heritage, Hon Christopher Finlayson, asked officials to explore:
 - 12.1 integrated options for a reserve and development across Watts Peninsula and the neighbouring Mount Crawford Prison property, and
 - 12.2 potential residential land development options that may help defray the costs of remediation and operating a future park or reserve.
- 13 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 the management of Watts Peninsula and the Minister for Land Information report to Cabinet with options for Watts Peninsula and Mount Crawford.
- 14 In November 2016, Cabinet agreed to dispose of Mount Crawford under the Public Works Act 1981 and to transfer Watts Peninsula from NZDF to LINZ. An appropriation was also granted so that LINZ could start to undertake the immediate safety work required on the land before it was opened for public access [CAB-16-MIN-0654 refers].
- 15 Cabinet also requested that I report back on LINZ's work on:
 - 15.1 the feasibility of housing development at Watts Peninsula;
 - 15.2 resources required to declare Watts Peninsula a reserve under the Reserves Act 1977, and options for the Crown's contribution and
 - 15.3 the disposal process for the former Mount Crawford prison site.

Residential Development on Watts Peninsula

- 16 As the former Mount Crawford prison site has already been identified for disposal, this assessment focuses solely on Watts Peninsula. The primary objective of this work is to assist in determining the final area of land that could be included in a reserve, by identifying what areas, if any, could be used for residential development.

¹ The collective includes the descendants of Te Ātiawa, Ngāti Tama, Taranaki, Ngāti Ranui and other iwi of Taranaki (for example Ngāti Mutunga)

- 17 LINZ has used and updated previous work from the Ministry for Culture and Heritage (MCH) on possible development options, including assessments of development potential by a commercial contractor. Heritage New Zealand Pouhere Taonga also identified all known archaeological and heritage sites on Watts Peninsula as part of the Crown Land Disposal process.
- 18 LINZ also commissioned Deloitte to undertake an economic analysis of the development options. This work considered up to five areas for residential development² (Annex B). The three options have increasing amounts of Watts Peninsula used for residential development. Sub-options allow for increased density of housing. A map outlining these proposed development areas are shown in Annex B.
- 19 The Deloitte assessment indicates that selling parcels of land on Watts Peninsula for residential development is commercially feasible. It identified projected total revenue that a private developer obtains, the likely costs and level of risk with each option. This framework used a quantitative assessment of the commercial feasibility, that sought to maximise the 'expected net present value' to a commercial developer under the five modelled options, adjusted by the probability of a successful development based on the risk profile of each option.
- 20 It is important to note that LINZ would not undertake or manage any development activity. The intention is for LINZ to dispose of any released land on an unimproved basis. This disposal process may include offer back to former owners, right of first refusal to iwi and open market sale. Any purchaser would be responsible for all planning and consenting activities for any subsequent development.
- 21 Any residential development would require a District Plan change and public consultation. All of the Watts Peninsula land is currently zoned Open Space B in the Wellington District Plan due to its undeveloped state and natural features³. The Council would seek to ensure that the scale of any development proposal was in accordance with the surrounding environment including skyline, and complemented the proposed historic and recreation reserve. The planning risk profile increases with more areas under development.
- 22 It is unlikely that any future development would include significant social or affordable housing. Housing New Zealand Corporation has previously advised that the former Mount Crawford Prison site was not considered to be viable, primarily due to the remote location and the high costs of putting infrastructure into the area. It is likely that the same will apply to any Watts Peninsula land.
- 23 In order to fully assess the options, LINZ combined the Deloitte assessment with a qualitative analysis of the options, based on impacts of the options on heritage and other values, and considering the known views of stakeholders on development in the area. Analysis of each option is outlined below.

Two Area option

- 24 The Two Area option only includes the development of the West Prison and East Prison areas. Based on indications from the Council this option presents the lowest planning risk and costs. This option is summarised below:

² Site 1 (Filmset site), Site 2 (Kau Point), Site 3 (Shelly Bay), Site 4 (West Prison) and Site 5 (East Prison) – Annex B.

³ The characteristics of Open Space B are minimal structures, largely undeveloped areas and open expanses of land.

Table 1: Two Area option

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

Development site	Gross area (ha)	Avg lot size (m ²)	No. of lots	Net Proceeds to Crown (\$m)	Successful development (\$m)	Probability adjusted NPV
West Prison	1.39	366	19			
East Prison	1.91	434	22			
Total	3.3ha	402m²	41 lots			

- 25 The two areas selected adjoin the former Mount Crawford Prison site, which is surplus to Government needs and is in the process of being disposed of under the Public Works Act 1981 (PWA). Department of Conservation (DOC), Housing New Zealand and the Council had declined to acquire Mount Crawford when these agencies were approached as part of the LINZ disposal process in 2013. The Council did acquire a portion of the Mount Crawford land to legalise the existing road.
- 26 There is potential for these sites to be disposed of and developed in conjunction with Mount Crawford. The Trust has expressed interest in acquiring any of the land at Mount Crawford should it be offered to the Trust under its right of first refusal. It would be likely to do the same should any land from Watts Peninsula become available.
- 27 This option offers the best opportunity for a continuous reserve on the remaining Watts Peninsula land. The Council favours options with less residential development as it is concerned such development reduces utility of any reserve.
- 28 Watts Peninsula's landscape is valued for its undeveloped open space, and historic heritage. Potential residential development in this option would occur on less prominent sites on Watts Peninsula so would reduce the overall impact to the skyline and amenity of the area. This could help mitigate concern from stakeholders who feel that their view of the Peninsula would be negatively impacted from housing development.
- 29 This option would not impact any known archaeological or heritage sites on these two areas. However, development in these areas could still be impacted if unrecorded archaeological sites are discovered.

Three Area options

- 30 The Three Area option includes development on area above Shelly Bay, in addition to the West Prison and East Prison areas detailed above.

Table 2: Three Area option

Development site	Gross area (ha)	Avg lot size ⁴ (m ²)	No. of lots	Net Proceeds to Crown (\$m)	Successful development (\$m)	Probability adjusted NPV
Shelly Bay	1.34	957	7			
West Prison	1.39	366	19			
East Prison	1.91	434	22			
Total	4.64ha	483m²	48 lots			

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

⁴ Average lot size is based on an assessment of approximately 50% of the area being available for development (due to the terrain).

- 31 A more high risk option would be the Area Three+ sub-option. This extends the Shelly Bay area through the addition of 1.10ha to the north, offset by a loss of 0.27ha to the east of the site. Area Three+ has space to develop another 20 lots. In addition, this extended area allows a density of housing to more fully utilise the land.

Table 3: Three+ Area sub-option

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

Development site	Gross area (ha)	Avg lot size (m ²)	No. of lots	Net Proceeds to Crown (\$m)	Successful development (\$m)	Probability adjusted NPV
Shelly Bay+	2.17	402	27			
West Prison	1.39	366	19			
East Prison	1.91	434	22			
Total	5.47ha	402m²	68 lots			

- 32 The Shelly Bay area could also be developed in conjunction with the adjoining Trust land at Shelly Bay, should the Trust have the opportunity to purchase this area under its right of first refusal.
- 33 Potential residential development in these options would occur on less prominent areas of Watts Peninsula so would reduce the overall impact to the skyline and amenity values of the area. This could help mitigate concern from stakeholders who feel their view of the Peninsula would be negatively impacted by housing development.
- 34 However, for both these options, one of the key entrances to the new reserve on Watts Peninsula will be the existing road which runs through the Shelly Bay area. Development of this area would negatively impact access to the new reserve along this road. This road would likely have to be widened to accommodate traffic in to the reserve. It is likely that future residents would also be sensitive to increased traffic volumes to and from the area.
- 35 There are heritage sites on the Shelly Bay area, including ammunition bunkers that could be affected by any development. The Council has expressed interest in protecting and reusing these sites as part of the reserve. Protecting these sites through covenants could affect the viability of any residential development of this area. Development could also be complicated if unrecorded archaeological sites are discovered.

Five Area options

- 36 The Five Area option includes development on all the above areas and the Filmset and Kau Point areas on the northern part of the Peninsula.

Table 4: Five Area option

Development site	Gross area (ha)	Avg lot size (m ²)	No. of lots	Net Proceeds to Crown (\$m)	Successful development (\$m)	Probability adjusted NPV
Filmset site	4.15	769	27			
Kau Point	2.67	494	27			
Shelly Bay	1.34	957	7			
West Prison	1.39	366	19			
East Prison	1.91	434	22			
Total	11.46ha	562m²	102 lots			

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

- 37 The Five+ Area sub-option is the most high impact option. It includes development of all areas in the Five Area option but extends the gross area of the Filmset and Shelly Bay areas. It also slightly increases the densities of those areas. This option takes into consideration how a developer may look to maximise the development density. This option is summarised below:

Table 5: Five+ Area sub-option

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

Development site	Gross area (ha)	Avg lot size (m ²)	No. of lots	Net Proceeds to Crown (\$m)	Successful development (\$m)	Probability adjusted NPV
Filmset site+	6.60	600	55			
Kau Point	2.67	494	27			
Shelly Bay+	2.17	402	27			
West Prison	1.39	366	19			
East Prison	1.91	434	22			
Total	14.7ha	491m²	150 lots			

- 38 Both the Five Area and Five+ Area options offer more revenue to the Crown and potential residential development. However, they also represent the greatest impact to the reserve and surrounding area, and contain the highest planning risk (including high costs of constructing new infrastructure through the reserve to the northern sites).
- 39 There are significant archaeological and heritage sites that would be impacted by the development, including iwi cultural sites and the former Women's Reformatory Prison. Protecting these sites through covenants could affect the viability of any residential development of this area. Development could also be complicated if unrecorded archaeological sites are discovered.
- 40 These options will likely be unpopular with stakeholders. The Council favours options with less residential development. It is concerned extensive development will reduce the utility of the remaining land as a reserve. The Filmset and Kau Point areas would be located in the centre of the reserve and would be isolated from the rest of the residential development on the site. The fractured boundaries of the reserve would also impact on the Council's ongoing management of the reserve as it would have increased property owners to consult with, and a longer reserve/housing boundary to manage. Residents in the Filmset and Kau Point areas could also be sensitive to future activities in the reserve.
- 41 The amenity values of the neighbouring reserve could also be compromised by the need to have a road to the Filmset and Kau Point and other infrastructure running through the reserve to link it with the rest of Miramar.
- 42 The Filmset and Kau Point areas are located on very prominent and visible areas of Watts Peninsula and residential development in these areas would be visible from across the Wellington region. Based on all of the above factors, these two areas were considered to involve higher planning risk and higher costs, making these the higher risk options.
- 43 The Filmset area 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 as this will likely prevent future filming work.

No residential development

- 44 Under this option, all 76 hectares of the Watts Peninsula property would be included in the proposed reserve. This option achieves the government's objective of establishing a national destination over all of Watts Peninsula. This option is strongly supported by proponents of the reserve. This option promotes heritage by protecting all known archaeological and heritage sites on Watts Peninsula.
- 45 However, there would be no residential development on the land, and also no proceeds to the Crown from the disposal of land that was not included in the reserve. The Crown would need to meet any costs of establishing the reserve from Crown revenue.

Conclusion and preferred option

- 46 The analysis from LINZ is that there is potential for limited residential development of parts of Watts Peninsula. Extensive development would adversely impact on the heritage, cultural and landscape values to be included in a reserve. There is significant planning risk with more extensive development such as the five area options, as any development will require Council approval.
- 47 However, a benefit of selling small parts of the site for development would be that it would help fund any one-off creation and remediation costs for the reserve. While any residential development is unlikely to include significant affordable housing, if any, it would provide more housing in the Miramar area.
- 48 I recommend that Cabinet approve the Two Area option, of disposing of the East Prison and West Prison sites, which adjoin the former Mount Crawford prison land. This option strikes an appropriate balance between development and protecting the values and potential for the future historic and recreation reserve.

Reserve development/creation on Watts Peninsula

- 49 Watts Peninsula was transferred to LINZ on 22 March 2017 and now LINZ is responsible for the management of the site.
- 50 The land on Watts Peninsula is not currently safe for public access due to a number of issues including asbestos in run down military structures and the presence of some unstable pine trees that are prone to falling. LINZ will work with the Council to identify problem trees that present a risk to public safety if members of the public access the site. Work to remove asbestos from military structures will begin shortly.

Stakeholder engagement

- 51 A range of parties have agreed that the majority of Watts Peninsula should be a reserve, and there is a high level of community interest in achieving this outcome.
- 52 As a result of a collaborative approach led by MCH involving relevant agencies, the Council, the Trust and other community stakeholders, the Watts Peninsula leadership and reference group agreed on the following vision:

"In 2040 the Watts Peninsula and the surrounding area is recognised as a distinctive national destination that protects, enhances, and celebrates natural

heritage values and open space values while integrating tourism and commercial activities that contribute to its financial sustainability, the Miramar Peninsula and the Wellington region”.

- 53 In 2014, MCH (representing the Crown) signed a Memorandum of Understanding with the Trust and the Council relating to Watts Peninsula that states that the parties will work together to develop an integrated future vision for the Watts Peninsula area.

Process to create reserve


- 54 MCH commissioned a feasibility study to explore the possible costs, risks, and benefits of protecting the site. The study identified the range of heritage and conservation values that exist on the site and sketched out a series of broad governance options.
- 55 MCH, the Council and DOC developed a process for creating the reserve as follows:
- 55.1 Creating conservation management plans for five key military heritage sites⁵. The military redoubt, pā sites and other archaeological sites would be covered by the conservation management plans.
 - 55.2 Prepare the land to be opened to the public, by completing infrastructure work, roads, fences, track clearing and build basic visitor facilities such as signposting and toilets (“initial site preparation work”).
 - 55.3 Once the land is ready, the Crown would set the land apart for reserve purposes under section 52 of the Public Works Act 1981. This will include identifying which parts of the land will be historic reserve and what will be recreation reserve (as dual classification is not possible).
 - 55.4 At the same time, the Minister of Conservation will be asked to appoint the Wellington City Council under section 28 of the Reserves Act 1977 to control and manage the reserve. DOC and the Council will also enter into an agreement, clarifying their respective legal responsibilities and liabilities on the reserve.
 - 55.5 The Council will then manage the reserve and open it to the public and then continue to develop reserve facilities.
 - 55.6 It is expected the planning and on-site work to take approximately four years to complete.
- 56 The parties considered that much of the initial site preparation work should occur before a reserve is created to control public access to the land while that work is underway.

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

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⁵ Fort Balance/Fort Gordon, Shelly Bay Magazines, Military Road, Mount Crawford Anti-Aircraft ('AA') Battery/ Women's Reformatory Prison site and the Kau Point gun emplacements



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

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- 60 Any decision on a Crown contribution for the reserve will need to be sought as part of the Budget 2018 process. LINZ will seek Cabinet approval to commence the creation of the reserve and seek funding for all relevant costs as part of that process.

Miramar Master Plan

- 61 The Council has expressed a desire to integrate decisions on Watts Peninsula as part of a proposed master plan for the entire Miramar Peninsula. This would look at public and private landholdings on the Peninsula including Watts Peninsula, Mount Crawford and other Crown-owned land in the area. The Council hopes that the community ownership generated through this process will help manage public reaction to a developer requesting a plan change to develop sites on Watts Peninsula and Mount Crawford. The Council would also like to investigate ways to fund the on-going operating costs of the reserve so it minimises the impact on ratepayers.

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

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Disposal of Mount Crawford Prison

- 63 In November 2016 Cabinet directed LINZ to begin disposal of the former Mount Crawford Prison property, which adjoins Watts Peninsula. LINZ has confirmed that no other central government agency needs the land for a public work. LINZ is currently assessing whether there are any obligations to offer-back the land to former owners or their successors under section 40 of the PWA (including whether any of the land was Māori freehold land when it was acquired for the prison). It is expected that this investigation will be complete by July 2017. At this time it will be determined whether any of the land needs to be offered back, or if the disposal process can continue.
- 64 In February 2017, the Council raised the possibility of adding some of the slopes or forested areas of the Mount Crawford land to link Watts Peninsula to nearby Council reserve land. As the legal process under section 40 of the PWA has already begun, this request will need to be considered after offer-back issues have been addressed.

Financial Implications

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

65 The disposal of any areas for housing development may require a subdivision of the existing parcels and raising of new titles (or amalgamation with the adjoining Mount Crawford land if appropriate).

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68 Treasury advises that any Crown contribution and ongoing Crown operating costs for the reserve will need to be sought as part of the Budget 2018 process. LINZ will seek Cabinet approval to commence the creation of the reserve and seek funding for all relevant costs as part of that process.

69 If Ministers agree to the disposal of 3.3 hectares of land (see paragraph 24) this will realise revenue for the Crown. It is currently assessed that this disposal could generate [REDACTED] in addition to any revenue received from the disposal of Mount Crawford⁷. Proceeds from this sale will be returned to the Crown.

Consultation

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

70 The following departments have been consulted for this paper: Treasury, DOC, MCH, Ministry of Business, Innovation and Employment, Ministry of Justice (Post-Settlement Commitments Unit), Heritage New Zealand and Te Puni Kōkiri.

71 The Department of Prime Minister and Cabinet, NZDF, the Department of Corrections, and Housing New Zealand Corporation were informed.

Treaty of Waitangi Implications

72 Any land that is disposed of will be subject to the right of first refusal by the Trust. LINZ will ensure that this is complied with for the identified parcels, once any offer back obligations under the PWA have been addressed.

73 The involvement of the Trust in the future management of an historic and recreation reserve at Watts Peninsula is expected to enhance the Crown-Māori relationship. The Trust has been involved in the project and will be involved in the ongoing work.

[REDACTED] The DOC has a protocol with the Trust in the Wellington area, that includes Watts Peninsula.

Human Rights, Gender Implications and Disability Impact

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

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

⁷ The book value of Mount Crawford is currently [REDACTED]

s9(2)(j), OIA 1982

75 There are no gender implications.

76 There are no disability implications.

Legislative Implications

77 There are no legislative implications for the proposal.

Regulatory Impact Analysis

78 The disposal and transfer of land can occur under existing statutory mechanisms. A Regulatory Impact Statement is not required.

Publicity

79 A communications plan will be developed by LINZ jointly with MCH and DOC in consultation with the Trust and the Council.

Recommendations

The Minister for Land Information recommends that the Committee:

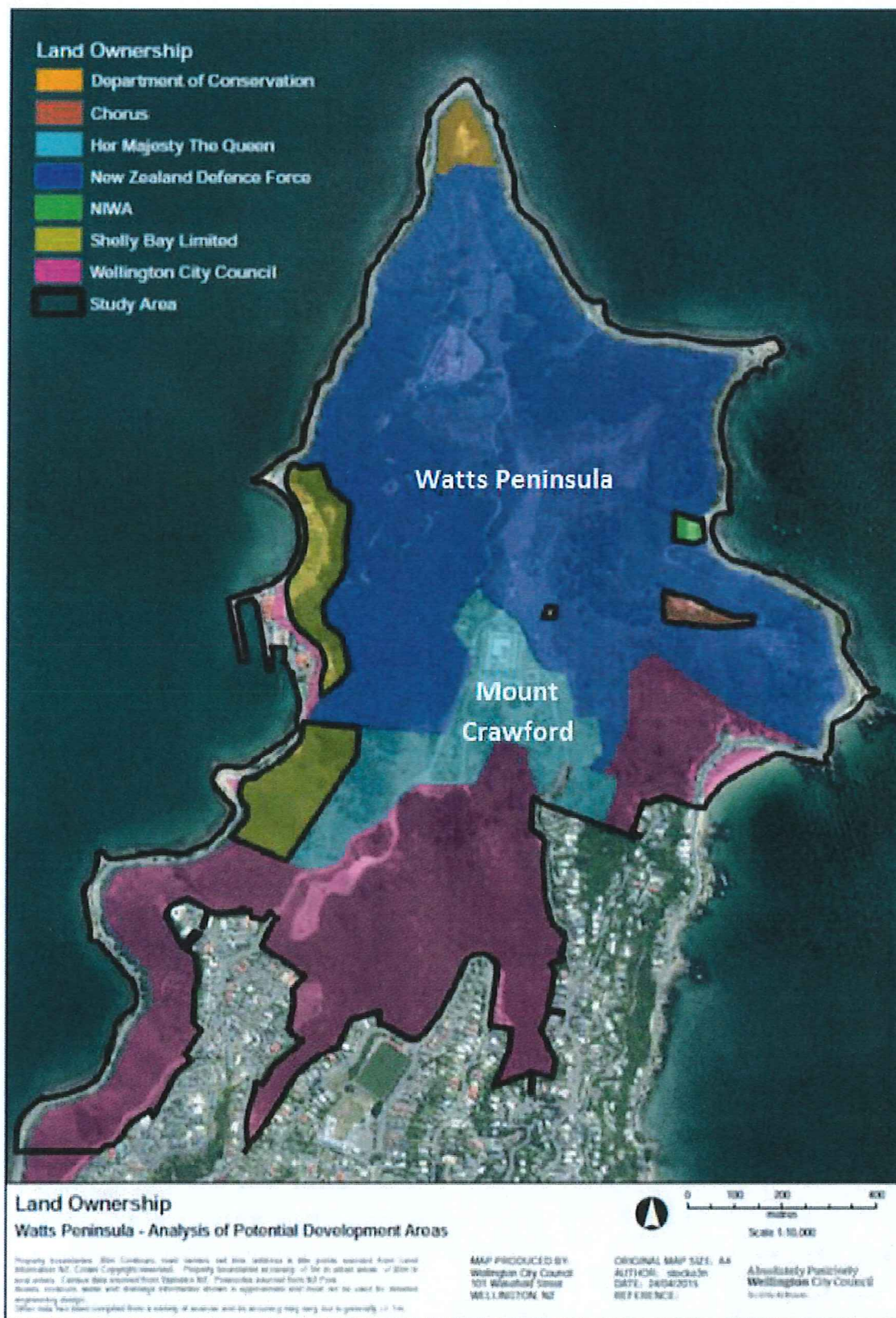
1. **note** that the 76 hectare Watts Peninsula property on the Miramar Peninsula is currently managed by Land Information New Zealand (LINZ);
2. **note** that Ministers have requested a reserve be established on Watts Peninsula [CAB Min (11) 34/7 refers];
3. **note** that in November 2016, Cabinet invited the Minister for Land Information to update Cabinet on:
 - a. the feasibility of housing development at Watts Peninsula;
 - b. the resources required to declare Watts Peninsula a reserve under the Reserves Act 1977, and the options for the Crown's contribution; and
 - c. the disposal process for Mount Crawford [CAB-16-MIN-0654 refers];
4. **note** that LINZ has undertaken a further assessment of housing development, including economic analysis;
5. **agree** to dispose of two areas totalling 3.3 hectares (East Prison and West Prison sites) under the Public Works Act 1981 for development;
6. **note** that LINZ will work with the Wellington City Council and the Department of Conservation to establish the remaining 72.7 hectares of Watts Peninsula as a heritage and recreational reserve;
7. **note** that the creation of the reserve is estimated to take up to four years;
8. **note** that the Minister of Land Information will seek additional funding through Budget 2018 to enable the development of a Watts Peninsula reserve in line with the recommendations in this paper;

9. **note** that final decisions on creating the reserve could be made concurrently with any consideration of funding through Budget 2018;
10. **note** that the Wellington City Council has expressed a desire to integrate decisions on Watts Peninsula as part of a proposed master plan for the entire Miramar Peninsula;
11. **note** that much of the planning for the reserve could be done concurrently with the Wellington City Council's master plan concept: and
12. **note** that LINZ is currently assessing whether any of the Mount Crawford Prison land must be offered back to the former owners or their successors.

Authorised for lodgement

Hon Mark Mitchell
Minister for Land Information

Annex A – Land ownership at Miramar Peninsula, Wellington



Note: Watts Peninsula was transferred to LINZ in March 2017

Annex B - Potential Development Areas on Watts Peninsula



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

