

SOUTH WAIRARAPA DISTRICT COUNCIL

10 AUGUST 2016

AGENDA ITEM D3

EXTENSION OF LEASE TO MARTINBOROUGH CAMPING LTD

Purpose of Report

To request Council approval to vary the current lease of Martinborough campground by the addition of a further right of renewal of 11 years, taking the final termination date to 1 July 2051.

Recommendations

Officers recommend that the Council:

- 1. receives the information; and*
- 2. approves the variation of the lease between Martinborough Camping Ltd and the Council by the addition of a further right of renewal of 11 years, taking the final termination date to 1 July 2051.*

1. Executive Summary

The lessees of Martinborough Campground Ltd have requested that an additional right of renewal be added to their lease of the land with Council. This would be done by way of variation for a further 11 years, taking the final termination date of the lease to 1 July 2051. The lease is granted under the Reserves Act 1977, which allows for additional terms to be granted if certain conditions are satisfied. The legal requirements and the conditions for satisfaction are discussed below.

2. Background

In 2005, a lease of 17.5 years was agreed between Council and Martinborough Camping Ltd for the main campground area, with a right of renewal for a further 17.5 years. This lease required the investment by the lessee of a minimum of \$150,000 in the first three years on improvements to the property.

In 2011, Council agreed a supplementary lease with Martinborough Camping Ltd for the land to the west of the main campground. This lease was for 11 years and eight months, with a further right of renewal of 17.5 years, which aligned the termination date with the original lease.

In September 2015, to facilitate the process of registration of the lease by the lessees, the two leases were consolidated into a single lease, with the same terms and conditions.

As part of their forward planning for the business, the proprietors of Martinborough Camping Ltd have requested that an additional right of renewal be added to the lease for a further 11 years, taking the final termination date of the lease to 1 July 2051. Confirmation of the extended lease time-frame will allow the lessees to progress with further investment in improvements to the campground.

A lease variation and extension would usually be handled as an operational matter, however given that the leased land is part of a Council-owned reserve, and that the overall length of the lease is considerably longer than most of Council's leases, Councillors' approval is sought before proceeding.

3. Discussion

3.1 Legal considerations

3.1.1. Reserves Act 1977

Under S.54 of the Reserves Act 1977, the administering body of a recreation reserve may grant a lease for a camping ground on a recreation reserve. Such a lease does not require the approval of the responsible Minister where the administering body is a territorial authority, and leasing for this purpose has been provided for within an approved reserve management plan.

The 2009 Centennial and Considine Park Reserve Management Plan references the 2005 lease to Martinborough Camping Ltd, and provides in its objectives for the continuation of the camping ground amenity through leasing to a third party. Public notification and consultation is not required where the lease is in conformity with and contemplated by the management plan for the reserve.

The term of a lease of a recreation reserve under Schedule 1 of the Reserves Act 1977 is not to exceed 33 years; however the lease may include the provision

that further similar terms may be granted if the terms and conditions of the lease have been complied with and if the lessor is satisfied that the ... camping grounds ... have been properly constructed, developed, maintained, and controlled, and that there is sufficient need for them, and that some other recreational use should not have priority in the public interest.

In this case, such a provision can be made by the execution of a deed of variation inserting the additional right of renewal, and any further terms, into the lease.

3.2 Consultation

As noted in 3.1 above, public consultation is not required, as the ongoing leasing of the camping ground land to a third party is in conformity with the Centennial and Considine Park Management Plan.

3.3 Satisfaction of the considerations for granting an additional term

Schedule 1 of the Reserves Act 1977 provides for the granting of further terms if the terms and conditions of the lease have been complied with, and the lessor is satisfied that certain conditions have been met. Officers confirm that the terms and conditions of the current lease have been met by the lessees to date. The further conditions for satisfaction are discussed below.

3.3.1. The camping grounds have been properly constructed, developed, maintained, and controlled

The development requirement of the 2005 lease for the investment of a minimum of \$150,00 in improvements within the first three years of the lease was met. All required resource and building consents have been sought, resource consents granted and code compliance issued. The lessees keep the property well-maintained and controlled, and no complaints are known. The lessees have achieved and maintained a 4 Star rating under Qualmark's quality assurance process for tourism businesses.

3.3.2. There is sufficient need for the camping grounds

Martinborough is a tourist destination at all times of the year, and the Considine Park camping ground is the only full-time camping ground in Martinborough. Under the operation of the existing lessees, the campground has been developed into a year-round operation through the provision of cabins, and they provide for lower-priced accommodation than what is generally available in Martinborough. The lessees report that in the year August 2015 – August 2016, the campground had almost 5000 occupied room nights, and during the peak period (Wellington Anniversary Day to Easter) the occupancy rate was 60%. In previous summers, there have been 20-25 nights where they had to turn people away, however in summer 2015/16 upgraded facilities and additional powered sites meant the number of people turned away was considerably less.

3.3.3. Some other recreational use should not have priority in the public interest

No other use of this portion of Considine Park is contemplated by the Centennial and Considine Park Management Plan, and no alternative use has been proposed or suggested through the annual and long-term planning processes.

4. Conclusion

The extension of the term of the lease between Martinborough camping Ltd and the Council by way of a variation inserting an additional right of renewal would comply with both the Reserves Act 1977 and the Centennial and Considine Park Management Plan. The considerations in the Act for granting an additional term have been discussed above, and relevant information provided. If Councillors to determine that these conditions have been satisfied, officers recommend that the extension to the lease be approved.

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