

# MARTINBOROUGH COMMUNITY BOARD

5 DECEMBER 2019

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## AGENDA ITEM 8.1

### PAIN FARM

#### **Purpose of Report**

To update the Martinborough Community Board (Board) on actions taken since the extraordinary meeting of 19 September 2019 (extraordinary meeting) and to seek direction from the Board on next steps.

#### **Recommendations**

Officers recommend that:

1. *The Board receive the Pain Farm report.*
2. *Officers report to the Board with a maintenance schedule for the homestead, cottage and surrounding land once further information on the future of the properties has been received.*
3. *The Board provide direction to officers on the information the Board wishes to consider at the next Board meeting in February 2020, with respect to the future of the Pain Farm homestead, cottage and surrounding land.*

#### **1. Background**

At the extraordinary meeting, the Martinborough Community Board received an officer's report on the history of the Pain Farm estate and responses to earlier requests for information about the estate. The report also outlined options for the long-term future of the Pain Farm homestead, cottage and surrounding land.

The Board discussed each recommendation from officers and agreed to defer recommendation 1a as it pointed to longer term decisions, and that any further action would be left to the new Board:

*1. The Pain Farm homestead, cottage and surrounding land be retained by the Council and:*

- a. that at the end of the current tenancy agreement, the homestead and cottage be rented out for residential purposes under separate tenancy agreements.*

The Board resolved the following (MCB 2019/70) that:

b. Officers report to the next full Community Board with a maintenance schedule for the homestead, cottage and surrounding land.

c. Whilst work is being undertaken on the house and cottage, that officers report to the Board at each meeting (6 weekly) on the progress of maintenance until the work is completed, and thereafter, officers report 6 monthly on the condition of the homestead, cottage, surrounding land, and farm.

2. The repairs and maintenance work to bring the homestead and cottage up to an acceptable standard for rental purposes be undertaken as a matter of priority.

3. The exterior painting of the homestead be undertaken as the next priority and that the Board recommends Council approves up to \$30,000 for this work.

4. That Council review the overhead cost allocation model for the Pain Farm.

5. That following this review, that Council consider whether any overhead allocations for the last three years should be credited back to the Pain Farm account.

## **2. Discussion**

### **2.1 Update on maintenance work**

Since the extraordinary meeting, the following maintenance work has been completed:

- Trees cleared away from powerlines
- Energysmart insulation compliance for the homestead and cottage
- Chemical wash of the homestead exterior
- Remetalled the driveway
- Inspected electrics in the homestead
- Repaired the septic tank including replacing the motor and filters
- Temporary repairs to the homestead roof

The following work is to be completed:

- Sash window repair in the homestead
- Rewiring and electrical work in the cottage
- Plumbing in the cottage bathroom
- Exterior cladding on cottage
- Roof repairs on homestead
- Exterior painting on homestead (to commence 6 January)

## 2.2 Update on expenditure

The report to the extraordinary meeting included a summary of income and expenditure for the financial years 2009—2019. The following expenditure has been made from the Pain Farm account over the period 1 July 2019 to 30 November 2019:

Repairs and maintenance (other)	9,852.97
Repairs and maintenance (bldgs)	5,593.81
General expenses	635.17
Rates payable	7,304.71
Insurance	2,241.96
Corporate services	7,936.55
In-house professional services	2,883.88
Total	38,489.05

## 2.3 Maintenance schedule

Officers will continue to carry out the necessary maintenance work, outlined in paragraph 2.1 above, to bring the properties up to an acceptable standard. After this, the level of maintenance will depend on the future use of the properties, discussed below. Officers will therefore report to the Board on a maintenance schedule when there is further clarity on this matter.

## 2.4 Future of the homestead, cottage and surrounding land

The report to the extraordinary meeting identified 5 potential options for the future of the homestead, cottage and surrounding land. The detail of the options and high-level options analysis contained in the report is included in Appendix 1. The options are:

- Option 1 — maintain current rental arrangements
- Option 2 — separately rent the cottage for residential purposes
- Option 3 — superior holiday let / wedding venue
- Option 4 — restore and maintain the homestead and gardens as heritage assets
- Option 5 — sell the homestead, cottage and surrounding land

Officers recommended option 2, based on the available information at this time. Officers noted that, should circumstances change significantly, such as the costs of maintenance, condition of the buildings or value of the property, the recommendation may need to be revisited in the future.

Officers also noted that, if the Board wishes to investigate options 3 to 5, or any other option, officers would carry out further assessment and obtain quotes for work for the Board's consideration in the new triennium. Alternatively, officers could obtain a quote for an independent party to assess options.

The current residential tenancy agreement with the tenant of the homestead (who sublets the cottage) comes to an end on 16 May 2020. It is therefore timely to consider the future of the properties.

For the avoidance of doubt, officers are not asking the Board to make a decision on the future of the homestead, cottage and surrounds at this meeting. Officers are seeking direction from the Board on next steps and, in particular, the information the Board wishes to consider at the next Board meeting in February 2020. For example, officers could simply present the options provided to the extraordinary meeting again or officers could investigate other options identified by the Board at this meeting. Alternatively, officers could report on a consultation plan for engagement with the community on the future of the properties.

### **3. Recommendations**

Officers recommend that:

1. The Board receive the Pain Farm report.
2. Officers report to the Board with a maintenance schedule for the homestead, cottage and surrounding land once further information on the future of the properties has been received.
3. The Board provide direction to officers on the information the Board wishes to consider at the next Board meeting in February 2020, with respect to the future of the Pain Farm homestead, cottage and surrounding land.

#### **3.1 Consultation**

As no persons are affected by these decisions, consultation is not necessary.

#### **3.2 Legal Implications**

There are no legal implications associated with these decisions.

#### **3.3 Financial Considerations**

There are no financial considerations associated with these decisions.

Contact Officer: Karen Yates, Policy and Property Coordinator

Reviewed By: Bryce Neems, Amenities and Solid Waste Manager

# **Appendix 1 – Options for the future of the Pain Farm homestead, cottage and surrounding land**

**Excerpt from the report to the Martinborough Community Board extraordinary meeting, 19 September 2019**

## **Option 1 – maintain current rental arrangements**

Under this option, the repairs and maintenance to bring the properties up to an acceptable standard for rental purposes (identified above) would be completed. The exterior painting of the homestead and cottage should then be undertaken as budget allows. The homestead would be re-let at the end of the existing tenancy on the same basis. That is to say that the agreement is to let both the homestead and cottage and the tenant can sublet the cottage for residential purposes and/or run it as a holiday let business. The Council would retain responsibility for maintaining the homestead and cottage and surrounding gardens. The Council would implement a maintenance schedule for the properties and report to the Board on a regular basis. Market rental for residential purposes following the repairs is estimated to be up to \$450 per week for the homestead and \$335 per week for the cottage if rented separately, based on current rates in Martinborough. The rental for both properties together is likely to be less than the combined total (\$785) because the homestead tenant would have to bear the risk of the cottage being unoccupied for some of the time.

No further work is necessary to scope this option. To implement this option, the Council would need to obtain a market assessment on rent following the completion of work and there could be costs for legal advice and the tenancy process.

## **Option 2 – separately rent the cottage for residential purposes**

This option is similar to option 1 except that at the end of the existing tenancy, the Council would rent the homestead and cottage for residential purposes under separate tenancy agreements. As indicated above, market rental for residential purposes following the repairs is estimated to be up to \$450 per week for the homestead and \$335 per week for the cottage if rented separately, based on current rates in Martinborough.

No further work is necessary to scope this option. To implement this option, the Council would need to obtain a market assessment on rent following the completion of work and there could be costs for legal advice and the tenancy process.

## **Option 3 – superior holiday let / wedding venue**

Under this option, the homestead, cottage and gardens could be brought up to a higher standard of decoration and amenity with a view to operating Pain Farm as a

superior holiday let / wedding venue. This could be managed by specialised property services or tendered as a business opportunity.

The Council would need to assess the viability of this option by obtaining quotes for additional work, likely rental income and occupancy rates. In addition to the costs to undertake the work, there would be costs for legal advice and the tendering process. As this option is a change to the existing use, public consultation to determine support is recommended. In accordance with the Pain Farm Income Distribution Policy, expenditure over \$35,000 would be subject to the annual plan process so would need to be included and approved in the 2020/21 annual plan.

#### **Option 4 — restore and maintain the homestead and gardens as heritage assets**

Under this option, the homestead and gardens could be fully restored and maintained as heritage assets to protect the investment for the long term. Entry fees could be charged for visitors. The cottage could be let for reduced rental to a supervisor. Consideration could also be given to registering the homestead as a heritage item on the New Zealand Heritage List and/or as a heritage item in the Wairarapa Combined District Plan.

To scope this option, the Council would need in the first instance to commission a heritage architect to assess the heritage value of Pain Farm and to determine the restoration work to be undertaken. An assessment and conservation plan is estimated to be at least \$8,000. The renovation work would then be costed. In addition to the costs to undertake the work, there would be costs for legal advice and the tendering/tenancy processes. Given the change in use and likely scale of costs, public consultation to determine support would be required.

#### **Option 5 — sell the homestead, cottage and surrounding land**

Under this option, the Council could subdivide the estate and sell the homestead, cottage and surrounding land. The proceeds would be applied for purposes consistent with the bequest.

To scope this option, the Council would need to obtain a valuation for the property, planning advice for subdivision and legal advice on the process and options available for sale and use of proceeds. Implementation costs include planning and legal advice and court fees. Given the change in use and associated legal processes, public consultation to determine support would be required prior to any action being taken to sell.

### **3. Analysis and recommendation**

Officers recommend Option 2. This option requires no further scoping and is low capital outlay relative to options 3 to 5. The income available for distribution would be at an acceptable level taking into account the operational costs for the property. Active management and improved reporting to the Board will ensure Board oversight of the integrity of the estate, consistent with the Board's delegations and Pain Farm Income Distribution Policy.

Option 2 is preferred over option 1 as it maximises residential rental income to the Council and provides greater control over the tenancy of the cottage, thereby reducing risk.

Option 3 may be a viable option in that the long term income may outweigh the capital outlay to bring the property up to a higher standard and ongoing operating costs. It would add to the accommodation pool in Martinborough which is in line with Council's focus on tourism. However, on top of the cost for additional work, this option would require increased internal resource to contract manage. It is also arguable that this option is outside what should be Council's core activities.

Option 4 would, subject to heritage assessment, recognise the heritage values and significance of the property in Martinborough's social history and protect the property from inappropriate development and use. It would also contribute to the Council's tourism focus by providing additional visitor interest. However, costs to scope and implement this option are likely to be significant. In addition, costs to maintain a heritage standard of condition, combined with the reduced income, could constitute a charge on the estate funds, contrary to the purpose of the bequest.

Option 5 is likely to bring the greatest financial return for the bequest taking into account the general increase in property values and costs to maintain the buildings as they age. It also reduces the risks and costs to Council arising from the need to manage the property and tenancies. However, this option has not been supported by the community in the past and the strength of feeling at the July 2019 Board meeting would suggest this has not changed.

Note that officers' recommendation for option 2 is based on the available information at this time. Should circumstances change significantly, such as the costs of maintenance, condition of the buildings or value of the property, this recommendation may need to be revisited in the future.

If the Board supports officers' recommendation for option 2, officers will arrange for the outstanding work on the roof of the homestead and the exterior cladding on the cottage to be undertaken as a priority. Once this work has been completed, officers recommend the exterior painting of the homestead be undertaken subject to any remaining budget and funding approval.

If the Board wishes to investigate options 3 to 5, or any other option, officers can carry out further assessment and obtain quotes for work for the Board's consideration in the new triennium. Alternatively, officers can obtain a quote for an independent party to assess options.