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## **Report 02.2**

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Report to Policy and Finance Committee  
from Murray Kennedy, Strategy and Asset Manager

### **Wainuiomata Tunnel Easement to Hutt City Council and Hutt City Council Easement to Wellington Regional Council.**

#### **1. Purpose**

To obtain the Committee's approval to accept a sum of money from the Hutt City Council for a tunnel easement.

#### **2. Background**

About two years ago, the Hutt City Council was reviewing its options for the Wainuiomata sewerage treatment. The main options were to upgrade the existing treatment plant, or to pipe the sewage from Wainuiomata to the new waste water treatment plant at Gracefield. The latter option was preferred by Hutt City.

In February 2001, the Regional Council approved the granting of an easement to Hutt City, to allow the city to construct a sewer pipeline through the Wainuiomata Hill water tunnel, and to bury the pipeline within Regional Council land at each end of the tunnel. Report 01.24 to the Utility Services Committee meeting of 19 February 2001 refers (Attachment 1). Hutt City has also granted a small easement to the Regional Council. This gives better access to pipeline land near Waiu Street in Wainuiomata.

The Easement Agreement was subsequently sealed by the Councils and this allowed designwork and construction to commence.

Provision was made in the Easement Agreement for determining the easement fee by negotiation and if this failed, then by mediation or arbitration.

### **3. Easement Sum**

An easement sum of \$500,000 plus GST (if any) has been agreed by officers of the Hutt City and the Wellington Regional Council (WRC). The easement value is in the ability to use the tunnel. The minor land easements at each end of the tunnel have a collective value of a few hundred dollars and are included in the sum.

### **4. Fair Value**

The Committee has to decide whether or not to accept the easement sum of \$500,000 as representing fair value. The sum has not been budgeted for. It will be used to reduce the debt of the Water Group. If the sum is judged to be too low by the WRC, then effectively we have disadvantaged three of our customers (Porirua, Upper Hutt and Wellington City). If the sum is thought to be too high, then it is to the advantage of these three cities and the disadvantage of Hutt City.

Determining a fair value has been very difficult because of the shortage of valuation information. Some of the information will be used in separate ongoing commercial negotiations for the use of Water Group facilities. For this reason, details of the valuation process are included in a separate public excluded report (PE 02.2) to the Committee.

Hutt City has agreed to the sum, Attachment 2.

### **5. Easement Payment Dates**

Provision is made in the Easement Agreement for payment in two equal instalments. The first instalment will be due 10 working days after the Regional Council approves the pipeline easement fee. The second instalment is due on 1 March 2002.

Hutt City has requested (Attachment 1) that the first instalment is made in March and the second deferred to July this year. It is understood this is a cashflow issue related to the waste water project. From the Regional Council's point of view, negotiations on the easement fee started in February 2001. Because of the complexity of the issue, it has taken some time to conclude negotiations. It has been to Hutt City's advantage that the first payment has been delayed, and this is recognised by HCC. However WRC have been advised that in terms of HCC budgeting, a preference remains that the balance be payable in July 2002. Valuation advice used by HCC in compiling budgets reflected a much lower price in tunnel access. The value of half the easement fee, related to the total cost of the Hutt Valley waste water project, is relatively minor. Valid grounds for deferring payment have not been advanced by Hutt City.

## 6. Recommendations

*It is recommended that:*

- (i) *the Wellington Regional Council agrees to accept the sum of \$500,000 plus GST (if any) from the Hutt City Council, in accordance with the Easement Agreement between the two Councils for the Wainuiomata Tunnel and associated right of way from Waiu Street.*
- (ii) *the Hutt City Council is requested to make payment of the easement instalments in accordance with the Easement Agreement.*

Report prepared by:

Approved for Submission:

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Endorsed by:

GREG SCHOLLUM  
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### **Attachments**

Attachment 1: Report 01.24

Attachment 2: Letter from Hutt City Council