

QLDC Council
30 June 2016

Report for Agenda Item: 3

Department: Property & Infrastructure

Future of the Coronet Forest – Community Feedback

Purpose

The purpose of this report is to provide the outcome of feedback sought from the community on the future of the Coronet Forest.

Recommendation

That Council:

1. **Note** the contents of this report and in particular:
 - a. The majority (circa 85%) of feedback participants favour an early harvest;
 - b. The Coronet Forest Management Plan is required to address re-establishment and/or revegetation of production forest land, together with areas to be retired from production forestry following harvest operations;
 - c. Retiring land from production forestry presumes the cost of site re-vegetation (circa \$2.5M) will not be recovered by future harvest operations;

2. **Agree** to an early harvest of the Coronet Forest subject to:
 - a. Updating the Coronet Forest Management Plan (2001) in accordance with the District Plan designation;
 - b. Consideration of the updated Coronet Forest Management Plan in the 10-Year Plan (2015-25).

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Background

- 1 In accordance with the Chief Executive's 2015/16 work programme, officers have reviewed options for harvesting the Coronet Forest. The value of harvesting the forest early (in the short term) was assessed against growing the forest to full maturity.
- 2 On 29 October 2015 the Council (publicly excluded) considered the review findings, noting in particular:
 - The forest is jointly owned by the Queenstown Lakes District Council (75%) and the Central Otago District Council (25%);
 - A positive return of \$600-650k could be expected if the Coronet Forest is harvested in the short term;
 - Future costs to control the establishment of Douglas fir on land(s) affected by wilding spread from the forest, are estimated at \$3M if the forest is allowed to reach full harvest maturity.
- 3 On 24 March 2016 the Council (publicly excluded) considered updated net revenue projections including costs for re-vegetation of the site and wildling pine control. The Council resolved to seek community feedback on issues raised in the review and the financial modelling.
- 4 In May 2016 an article was published in *Scuttlebutt* summarising these findings and 249 participants responded with their views.

Comment

Feedback

- 5 The majority (circa 85%) of participants favour an early harvest.
- 6 There was well founded feedback from participants (albeit in minority) with a preference for more detailed information particularly on the:
 - rating impact of an early harvest; and
 - harvest plan including certainty of outcomes for re-vegetation of the site.
- 7 The *Scuttlebutt* article (May 2016) and participant responses are provided as attachments A and B.

Designation

- 8 Forestry operations on the Coronet Forest land must comply with the management policies and programmes set out in the Coronet Forest Management Plan (Forest Plan) which the Council is required to periodically review and update. The Forest Plan is required to address re-establishment and/or revegetation of production forest land, together with areas to be retired from production forestry following harvest operations.

- 9 The current Forest Plan (2001) anticipates growing the forest to maturity; is silent on site re-vegetation (post-harvest) and overdue for review and updating. There is an opportunity (based on the community feedback received) to update the Forest Plan with a programme that contemplates early harvest and ensures effective re-vegetation of the land.
- 10 Updating the Forest Plan is subject to consultation with the community using the Special Consultative Procedure set out in s 83 of the Local Government Act 2002 (LGA).
- 11 An Outline Plan prepared in accordance with the Forest Plan is required prior to any harvesting taking place. The Outline Plan requires consultation with potentially adversely affected parties one month prior to it being submitted.
- 12 The designation description from the District Plan is provided as attachment C.

Financial Modelling

- 13 Revenues from forest harvest operations can be significantly impacted by market volatility and pricing. The net harvest revenue projections are provided with current (optimistic) and discounted¹ (conservative) log pricing.
- 14 The cost to control identified land surrounding the forest from now until maturity has been conservatively estimated, a matter which the Council at this point has discretion over².
- 15 Retiring land from production forestry presumes the cost of site re-vegetation (circa \$2.5M) will not be recovered by future harvest operations.

Table 1: Short term harvest assumptions

| input | amount | year(s) |
|------------------------------------|---------------|----------------|
| net harvest revenue (conservative) | 665,671 | 2 |
| net harvest revenue (optimistic) | 2,352,587 | 2 |
| wilding control (adjacent land) | - | |
| site re-vegetation | 2,574,650 | 2 to 7 |

Table 2: Mature harvest assumptions

| input | amount | year(s) |
|------------------------------------|---------------|----------------|
| net harvest revenue (conservative) | 2,060,870 | 15 to 25 |
| net harvest revenue (optimistic) | 5,801,986 | 15 to 25 |
| wilding control (adjacent land) | 2,961,245 | 1 to 25 |
| site re-vegetation | 2,574,650 | 15 to 29 |

¹ 20% log price reduction

² Future regulation arising from initiatives such as the Regional Pest Management Strategy (RPMS) may require land owners to mitigate the spread of wildling species.

Table 3: NPV comparison of harvest options (8% discount rate)

| projection | short term | mature | diff |
|-------------------|-------------------|---------------|-------------|
| conservative | (1,197,162) | (1,201,115) | 3,954 |
| optimistic | 249,097 | (198,958) | 448,055 |

NB: all amounts in NZD (\$) and expressed in real terms based on 2016 (first quarter) market pricing.

Joint Venture Arrangement

16 The purpose of the arrangement between the Council and Central Otago District Council (CODC) is to establish, maintain and develop the Coronet Forest for eventual harvest and sale of the timber, after which the joint venture is dissolved. There is no obligation for CODC to remain in partnership with the Council (post-harvest) and re-establish/or re-vegetate the land.

17 In the case of a proposal to dissolve the joint venture, the Council and CODC both must be in agreement. A decision to harvest the forest would therefore be subject to consideration by CODC, namely the Vincent Community Board.

18 Potential returns to CODC are not included in the financial modelling.

Options

19 **Option 1** – Early Harvest with update to Forest Plan: Update the Forest Plan with a proposed programme to harvest in the short-term in accordance with the District Plan designation.

Advantages:

20 Reflects community support on this issue.

21 Opportunity for community to provide input toward a re-vegetation programme for the land.

22 The Council's regulatory obligations are met as required under the designation.

Disadvantages:

23 None.

24 **Option 2** – Early Harvest via Outline Plan: Prepare and submit an Outline Plan to harvest in the short-term in accordance with the District Plan designation.

Advantages:

25 Reflects community support on this issue.

26 Less prescriptive consultation obligations.

Disadvantages:

27 Community uncertainty for re-establishment of land.

28 Forest Plan incompatible with Outline Plan and remains out of date.

29 **Option 3** – Mature Harvest: Status quo.

Advantages:

30 Normal 'production forest' operations continue with expected commercial returns realised.

Disadvantages:

31 In conflict with community sentiment on this issue.

32 Forest Plan remains out of date.

33 This report recommends **Option 1** for addressing the matter because it reflects community support and provides the community an opportunity to contribute toward a re-vegetation programme for the land.

Significance and Engagement

34 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy due to the extent that the matters being considered impact on the environment of the Queenstown Lakes District and the extent to which individuals and/or organisations in the community are affected by the decision.

Risk

35 This matter relates to the strategic risk SR1 – Current and future development needs of the community (including environmental protection) and Strategic Risk SR6b – Assets critical to service delivery (property) as documented in the Council's risk register. The recommended option mitigates this risk as it aims to have environmental benefits and positive effects on a community asset and Council expenditure.

Financial Implications

36 The recommended option can be met within existing operational budgets and will enable a more accurate estimate of cash flows of an early harvest for consideration in the 10-Year Plan (2015-25).

37 The eventual position of Central Otago District Council as joint venture partner will need further consideration in the 10-Year Plan (2015-25).

Council Policies, Strategies and Bylaws

38 The following Council policies, strategies and bylaws were considered:

- Operative District Plan
- Coronet Forest Management Plan (2001)
- 10-Year Plan (2015/25)

39 Cash flows from harvesting the Coronet Forest have not been anticipated in the 10-Year Plan (2015/25).

40 Option 1 could be incorporated into the Annual Plan/10-Year plan process and meet the Special Consultative Procedure requirements under the designation. However it is recommended that separate consultation specific to the Forest Plan be undertaken in conjunction with the 10-Year Plan process.

Local Government Act 2002 Purpose Provisions

41 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by providing environmental benefits in a way that does not incur significant costs to residents/ratepayers;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

42 The persons who are affected by or interested in this matter are the residents/ratepayers of the Queenstown Lakes district community, Vincent Ward (CODC) and the following potentially adversely affected parties¹:

- Department of Conservation;
- Millbrook Country Club limited;
- Arrowtown Village association;
- Lease holders within the designated land.

43 The Council has sought community feedback on this matter as provided within the report and attachments.

Attachments (in Attachments Booklet)

- A *Scuttlebutt* consultation article, 16 May 2016
- B Participant feedback
- C District Plan designation
- D Forest Management Plan (2001)

¹ Defined in the Coronet Forest designation