

Report No:	RCN12-05-09
File No:	W345
Date:	14 May 2012
<b>Decision Required</b>	

## REPORT SUMMARY

**Report to:** Mayor and Councillors  
**Meeting Date:** 24 May 2012  
**Report Author:** Dennis Bush-King, Environment and Planning Manager  
**Subject:** **Proposed Lee Valley Community Dam**

### EXECUTIVE SUMMARY

This paper reports on submissions to the Draft Long Term Plan (LTP) in relation to the proposed Lee Valley Community Dam (LVCD). Given the need for further information on the cost of the dam which will follow completion of the dam design, time is still available, and required, to finalise funding details. Submissions in the main acknowledge augmentation is preferable to cutback in water allocations but are concerned about the affordability of the dam.

It is recommended that the proposal remain in the LTP with reference to the need to refine costs and a revised funding model which will be worked on over the next 18 months.

As a consequence of submissions three changes are recommended to the boundary of the proposed 'zone of effect'.

It is also recommended that the Council, in consultation with the Waimea Water Augmentation Committee, should advance proposed changes to the Tasman Resource Management Plan (TRMP) at the earliest opportunity in anticipation of revised allocation limits should the dam proceed and the consequences should it not proceed.

### DRAFT RESOLUTION

**THAT the Tasman District Council**

- a) **receives Report RCN12-05-09 on the proposed Lee Valley Community Dam**
- b) **agrees to retain the proposed Dam as a capital project in the Long Term Plan as currently envisaged with additional text noting that Council will refine the possible funding model and costs over the next 18 months in consultation with the Waimea Water Augmentation Committee and water users**
- c) **agrees to amend the 'zone of effect' as requested in submission 1541, 1548 and 2038.**

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## 1. PURPOSE

- 1.1 This paper reports on submissions to the proposed Lee Valley Community Dam (LVCD) proposal received through the Draft Long Term Plan 2012-2022 (LTP).

## 2. BACKGROUND

- 2.1 The Council in receiving Report RCN 12-01-09 in January 2012, agreed to consult on a possible funding model for the LVCD. 128 submissions out of the 901 received on the Draft LTP mentioned the LVCD, with 10 in support, 3 neutral, with the rest unhappy with the current proposal. It should be noted that of those recorded as opposed many support the dam, but not the proposed funding model.
- 2.2 Issues raised in submissions can be summarised under the following headings:
- Affordability - concerns that the likely per hectare cost was too high especially from those more extensive land users but also concern because of current tough economic conditions. Suggestions were made that costs could be better managed or reduced through asset sales, reduced interest rates, tiered charging, and variable repayment options. Some submissions expressed a lack of confidence in containing costs to the \$41.6M.
  - Mandatory nature of a rate – some submitters expressed a preference for more user pays funding especially those who do not need to irrigate or those who do or could use less water than currently allocated. One submission asked for the ability to opt out of the scheme.
  - Funding split – some water user submitters suggested more money needed to come from other sources (i.e. government, “commercial water users like the chip mill”, or more general rate)
  - Need – some submitters questioned the need for the dam or at least questioned the cost of not having the dam. Others challenged some of the underlying assumptions about demand for the dam.

- Impact – one submission opposed the dam because of environmental effects and comment was made that a dam would not encourage water conservation measures.
  - Equity – some submitters considered the proposal favoured large water users and was unfair to small users. Others suggested that certain crop types would be cross-subsidising other water users and that this was unacceptable.
  - Economic Benefit – some submissions, particularly from winegrowers, questioned the cost benefit analysis undertaken by the Economic Development Agency (EDA), thereby questioning some of the assumptions around the need for the dam. (Note that the EDA assessment was peer reviewed)
  - Uncertainty – some submitters considered insufficient information was available to assess the merits of the proposal or that other options for providing future water should be investigated (e.g. relocation of Council wells). One submitter did not believe the opportunity to transfer unused allocations was sufficient to persuade people to accept the rating liability.
- 2.3 Submissions supporting the proposal stated the dam was needed to address over-allocation of the water resource and that augmentation was preferable to cuts in permitted abstraction. There was support for lump sum. Some submissions supported the need for a more realistic minimum flow in the Waimea River.
- 2.4 No submissions specifically mentioned to increase in urban water charge attributable to the LVCD but there were a good number of submissions that did challenge the escalation in water charges over the life of the LTP. Neither were any submissions opposed to the proposed governance arrangements.
- 2.5 Three submissions (1541, 1548 and 2038) raised concerns about the boundary of the proposed rating layer (the 'zone of effect'). They raised points that were well made and staff recommend the three properties affected should be removed from the 'zone of effect'. Submission 2038 affects a property connected through the Waimea East Irrigation Scheme and will need a water supply agreement as an 'out of zone' user.

### **3. ASSESSMENT**

- 3.1 For those submitters who understand what the likely consequences are of not having a dam, the main concern is the likely per hectare charge with many saying it is unaffordable. Whatever the likely charge is, it will be determined by the cost of constructing and operating the dam, and the way in which the repayment of any loan is structured. As both of these matters still remain to be refined, it is considered that staff should work with the Waimea Water

Augmentation Committee (WWAC) to bring further advice back to Council, with a revised costs and funding options for further public consultation.

- 3.2 Some submitters noted that Nelson City Council (NCC) had deleted any funding for the LVCD from its Draft LTP even though there is an expression of support for its eventual construction. Further consultation with NCC and central government will be necessary in order to determine the rating liability.
- 3.3 While there were a good number of submissions that challenged use of rates as a funding source, the alternative of “user pays” has been found to be too uncertain and an unreliable source of funds. The staff view is that if the dam has any chance of proceeding at an acceptably affordable level, the rating model presents the best means of covering the costs. While it is a blunt instrument and will lead to land use change and change in ownership of land parcels over time, the alternative of not proceeding with the dam has exactly the same potential consequences.
- 3.4 Notwithstanding this, Council does have the option, if it is persuaded by those submitters who oppose the concept of the dam, to not proceed any further. Staff would not recommend this because there would be nothing to show for the investment of time and funds to date to explore the water augmentation option. It seems prudent to at least complete design work, conclude land acquisition arrangements, and even obtain the necessary consents so that a ‘fit for purpose’ proposal can be delivered should the community be prepared to fund it, either from 2015/2016 or at some future date.
- 3.5 There is still time to gain a better understanding of costs and to refine other assumptions around need for the dam. This time can also be used to refine the allocation of costs and funding sources.
- 3.5 Comments received from submitters would suggest that there is still a lack of appreciation about the consequences of not proceeding to construct a dam. While people may think they can do with less water there does not seem to be a willingness to relinquish current entitlements. In addition, in the absence of rationing during wetter years people think they can get by. However, the TRMP currently does not have a minimum flow for the Waimea River as the current water management provisions for the affected catchments are still interim. Any change to the minimum flow in the Waimea will increase the likelihood of water restrictions and if there is no lawful access to water, there will be no irrigation. To improve the level of understanding of the risks we have been trying to manage, staff would recommend that changes are needed to the Tasman Resource Management Plan to accommodate a dam and the necessary transitional provisions in the absence of a dam should be prepared at the earliest opportunity for discussion in the community.

- 3.6 There will be a need to further consult and inform water users and the wider community as the issues are worked through. Sufficient funding has been made available to see this work advanced in Year 1 of the LTP.

#### **4. RECOMMENDATIONS**

- 4.1 There is widespread acceptance of the need to improve security of supply and redress other issues of over-allocation of the water resource in the Waimea Plains. How this should be done is still a matter for debate. It is recommended that the LVCD proposal remain in the LTP with reference to the need to a refinement of costs and a revised funding model which will be worked on over the next 18 months.
- 4.2 As a consequence of submissions three changes are recommended to the boundary of the proposed 'zone of effect'.
- 4.3 It is also recommended that the Council, in consultation with the Waimea Water Augmentation Committee, should advance proposed changes to the TRMP at the earliest opportunity in anticipation of revised allocation limits should the dam proceed and the consequences should it not proceed.

#### **5. DRAFT RESOLUTION**

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