

Frequently Asked Questions relating to the SWDC Greytown Sports Hub

1. What's the history and status of the land?

All of the land occupied by the Greytown Bowls Club, but only 1.517ha of the total 2.7317ha of land occupied by the Rugby club formed part of the original 'Town Belt and Sections Reserved for Public Purposes' under the original Greytown District Trust Lands Trust Act 1871. The vast majority of those original sections have been sold over the last 149 years. The Bowls and Rugby Club lands have no different designation, status or zoning than the land that has already been sold.

2. What does the Trust's Act of Parliament say?

The Act says the Trust exists for the following purposes:

“(a) establishing, assisting in the establishment of, or generally assisting, educational facilities (including libraries) in the district;
(b) promoting and fostering in the district, or among persons who are, or who at some time have been, resident in the district, education generally, including —
 (i) the cultivation of; and
 (ii) the imparting of knowledge, proficiency, and skill in arts, science, technical subjects, literature, physical welfare, and other cultural purposes
(c) for the purposes of public utility and for the purpose of maintaining and promoting in the district the general well-being of the public.”

Trustees have a fiduciary duty to make decisions on behalf of and that benefit the entire Greytown Community. Elections are held every three years and Greytown Residents choose whom they want to represent them.

Section 23(3) of the Act specifically requires Trustees to retain the proceeds from any sales for the purchase or development of future investments.

3. So what's been the problem here?

The Trust rents the land to the rugby and bowls clubs under a perpetual lease agreement, and for many years gave both clubs a 100% grant to pay their rent. In recent years that grant has reduced down to 90%. That worked for a long time, but as the region has grown, and more people have come to live and work in Greytown over the last decade, the land value under the clubs has been gradually increasing. That means the rents have been driven up (just the same as an expensive house is more expensive to rent, and a cheaper house is less expensive). And that has meant the rent subsidies from the Trust have grown too, to the point where the situation was getting out of control. This is neither the clubs nor the Trusts fault.

The Greytown Rugby Club have a 7 yearly rent review coming up on 1 July 2021. Based on recent values, the rent is likely to go to \$82,500 a year. The Bowls Club land values and rents have been increasing too. If nothing is done, and the Trust keeps paying their 90% rent subsidies, the two clubs could end up getting

nearly half of the total pool of funds available for grants. That would clearly be totally unfair. The 16 other sports clubs and organisations currently share a total of only \$20,000 a year between them.

Equally, these two clubs cannot pay rent at those levels without the subsidy. So if the Trust sells the land to the Council, which would not need to charge rent, the difficult financial position of the two clubs is resolved, and the unequal treatment between sports clubs is removed too.

Another important reason for dealing with this now is that the Kuranui College gymnasium is no longer fit for purpose. The Council's view is that dealing with that, along with creating a new facility for all clubs in town, is best done as one complete package.

4. So why has it got to this point?

Good question. The truth is this problem has been there for a long time, and the Trust has made every effort to solve it. Starting in 2015, the Trust has been talking with the Council to find a solution. It also made formal submissions on the Council's long term plan in April 2018, the Council's Draft Annual Plan in May 2019 and the Council's Spatial Plan in August 2019. Almost all of its suggestions and requests were not addressed, and in some cases, even after formal follow up, the Trust received no response from the Council.

The Trust has also written to and talked with the Rugby and Bowls clubs repeatedly for the last eight years, advising them of the need to reduce its rent subsidy, and the need to find a solution.

5. The land for the sport and recreation hub is owned by the Trust. Instead of selling it, why can't it just gift the land to the Council?

The Trust is not allowed to do that under the Parliamentary Act we operate under. The Trustees are required to maintain and protect the value of the Trust assets. But even if that wasn't the case, to do so would mean giving away nearly 20% of everything the trust owns.

In the last financial year the Trust gave \$254,000 in grants to the Greytown community. If the land was given away for free or discounted any further, the base becomes smaller, and reduces the income available to support the Greytown community. So the Trust would have no choice but to cut both the numbers and amounts of grants in future.

It's not just the impact today. The assets of the Trust have been carefully looked after for 150 years so every generation of Greytown residents gets to benefit. Giving away 'the family silver' would mean less is left behind for future generations than was left for us.

6. But doesn't the community own the land, so can't the Trust just give it back?

The community doesn't actually own the land. The Greytown District Trust Lands Trust owns the land, and has to manage its properties in accordance with its own special Act of Parliament. No-one 'owns' the Trust. Like all trusts it is run by Trustees, in our case 6 of them, elected every three years by rotation.

7. Some people are claiming the Trust is holding the community 'to ransom' by threatening to develop the land if the land isn't sold to the Council.

The Bowls and the Rugby clubs have legal leases in place. If the clubs are able to continue to pay the rent, the Trust is comfortable to remain the landlord of these two properties. However, if they are unable to pay the rent then the Trust would need to take action. If the leases were cancelled then this would allow the Trust to look at its options. One option is to develop the land for residential housing and use the proceeds to invest on behalf of the Greytown community. Another option is to sell the land to a developer and let them take on the risk (and return). But it is really important to say that the status quo is not an option. The March 2020 valuations of the Trust's long leasehold land in Greytown (which includes the Rugby and Bowls clubs, as well as the Plunket rooms and Cobblestones Museum) accounts for 21% of the Trust's \$15.3m of Assets, but after rent subsidies, returned just 0.4%.

8. The Trust has \$15.3 million in assets – can't it give the land away?

The March 2020 valuations of the Trust's long leasehold land in Greytown (which includes the Rugby and Bowls clubs, as well as the Plunket rooms and Cobblestones Museum) accounts for 21% of the Trust's \$15.3m of Assets. Giving it away would have a significant impact on the Trust's total assets. \$15.3 million sounds like a lot, but after paying upkeep and maintenance on Trust properties, just over \$250,000 was left for grants to the community in the March 2020 financial year. It could be more, but historically heavily subsidised rents for the rugby and bowls club land, as well as some other properties, have meant the returns have not been as good as they should have been. The Trust has been trying to change this situation.

9. The Trust has \$2.3 million cash in the bank, so can it afford to give the land away?

The \$2.3m is funds received from selling property over the last two years. Some of these properties were sold because the Trust didn't have the cash available to bring them up to a standard that was attractive for tenants. The remainder was from selling the last blocks of industrial land at Arbor Place Industrial Park. The Trust cannot give these funds away as Section 23 of The Greytown District Trust Lands Act specifically requires it to retain the proceeds from any sales for the purchase or development of future investments. All the current assets of the Trust are in property. The Trust hasn't re-invested the \$2.3 million yet as it is evaluating whether to put the money into shares, bonds or managed funds, rather than more property.

10. Why sell? Can't the Trust keep the land and just charge a cheaper or no rent?

The Trust gets its income from normal commercial rent on land and buildings it owns. It has to do this to maintain and grow its asset base for future generations and to provide grants to the Greytown community.

After the rent subsidies provided by Trust are taken into account, the Bowls and Rugby club land currently give a 0.4% cash return per year. In contrast, the remainder of the Trust's properties earned nearly 8%. If another organisation paid the rent on behalf of the clubs, the Trust would be happy to remain the owner and receive a smaller return – typically between 5 and 6% for long leasehold agreements. The Trust would be happy on that basis to remain the owner of the land, but it cannot financially sustain providing the rent subsidies back to the clubs.

The Trust's auditors have confirmed that it can't just 'change the rent' or 'not charge the rent'. While there is a registered lease in place, this has to be correctly accounted for under standard accounting rules.

11. Why doesn't the Trust rip up the existing leases and put a new one in place for, say, \$1 per year

That would mean that 21% of the Trust's assets were returning 0% a year, which would make the financial situation even worse. Feedback to the Trust suggests the community would not accept that, and Trustees have a duty to the entire community, not just specific clubs.

12. Why doesn't the Trust offer a discount on the sale prices?

The prices that the Trust is proposing to sell the Bowls and Rugby Club land to the Council are 22% and 53% less than what the Trust could make if it was to develop and sell the land itself. The prices strike a balance between getting a reasonable return for the Trust and acknowledging the value that this land could provide to the entire Greytown community if utilised in a better manner. Remember that the returns on the Trust's assets are what creates the cash for community grants. Discounts on assets mean less money for grants.

13. Does the Council have an obligation to create a new sports hub?

That's for the Council to answer, but Greytown residents have half the sport and recreation space per person compared to Martinborough, and only 40 percent of what Featherston has. The Council currently provides 100% of that space in Martinborough and Featherston, but only 70% here. So this proposal would help put that right.

14. What would the Trust put into the hub if it goes ahead?

A key point. All clubs would be eligible to apply for funding under the Trust's Sports & Active Recreation strategy. A new gym at Kuranui College may also be eligible to apply for funding under the Trust's Education funding strategy. The proposal would see an evolution in the relationship from a grant perspective to provide an opportunity for more focused support of both clubs than currently.

15. How does Covid-19 change things?

As per the comments from the Mayor in the Greytown Grapevine "There is a lot of work required to fix under-investment and lack of spending in important areas, and unfortunately delaying this due to Covid-19 would be irresponsible". This proposal is a 'once in a lifetime' opportunity and unfortunately, the Trust is financially unable to wait.